Regional trade integration in Africa: status and prospects

Policy study commissioned by the Ministry of Foreign Affairs of Denmark

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September 2012

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Acronyms and Abbreviations

BRIC	Brazil, Russia, India and China
CARIFORUM	Caribbean Forum
CEMAC	Communauté Économique et Monétaire des Etats de l'Afrique Centrale
COMESA	Common Market for Eastern and Southern Africa
CET	Common External Tariff
DFID	Department for International Development
DRC	Democratic Republic of Congo
EABC	East African Business Council
EAC	East African Community
EBA	Everything But Arms
EPA	European Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
FAO	United Nations' Food and Agricultural Organisation
FDI	Foreign Direct Investment
FMD	Food and Mouth Disease
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSP	Generalized System of Preferences
HS	Harmonized System
IMF	International Monetary Fund
ITC	International Trade Centre
MAST	United Nation's Multi-Agency Support Team
MFN	Most-Favoured-Nation
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
OECD	Organisation for Economic Cooperation and Development
RATES	Regional Agricultural Trade Expansion Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SPS	Sanitary and Phytosanitary
SPS Agreement	WTO Agreement on the Application of Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TBT Agreement	WTO Agreement on Technical Barriers to Trade
TDCA	Trade and Development Cooperation Agreement
UHT	Ultra Heat Treatment
UNCTAD	United Nations' Conference on Trade and Development
UNIDO	United Nations' Industrial Development Organisation

US	United States
USAID	United States' Agency for International Development
WTO	World Trade Organization

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Contents

EXECUTIVE SUMMARY

This report – commissioned by the Ministry of Foreign Affairs of Denmark – discusses the status of implementation of the EAC Customs Union and the SADC FTA both regarding tariff reductions and NTB elimination commitments and uses trade statistics to investigate whether the implementation of these two trade agreements influence data for regional trade. The report also discusses the relationship between the EAC and SADC regional integration processes and the negotiation of EPAs. Special focus is accorded to the question of NTBs including deriving lessons for the design of an alternative policy approach to manage their negative impacts on trade.

The two regions have concentrated their efforts to implement their ambitious plans for economic integration on implementing tariff reductions and NTB removal mechanisms. The tariff reductions are nearly completed for both regions. SADC has allowed more deviations in terms of time limited derogations than the EAC, yet regional trade are today mostly free of tariffs in both the EAC and SADC. SADC trade preferences however appear underused by the region's traders, presumably because cumbersome Rules of Origin make the alternative schemes in the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Customs Union (SACU) more attractive.

The NTB removal mechanisms have been far less successful. The NTB removal mechanisms established in both the EAC and SADC collect complaints about NTBs from the private sector and channel their concerns to the officials in charge for the policies in question. Given the novelty of the two mechanisms, it may be too early to judge their merits. A large number of complaints have been made in both regions, but although the responsible agencies involved report that a substantial share of the complaints has been solved, this reported success rate is challenged by independent observers. Undoubtedly, the mechanisms have increased transparency but in terms of removing NTBs, they have largely failed so far.

The trade statistics fail to pick up a strong response to the formation of the EAC Customs Union and the SADC FTA. Yet interesting information emerges. Over the last decade, both regions experienced strong growth in merchandise trade and saw some limited signs of diversification. Both regions also developed much stronger ties with China and to some extent with the other BRICs while the EU lost importance yet remains the most importing trading partner. EAC exports more than quadrupled from 2000 to 2010. The intra-regional share of total trade grew although only modestly. The share of exports to China grew strongly, from 0.2% to 6.4% of total exports, while the share of exports to the EU was nearly halved. The pattern was the same on the import side. Interestingly, the BRICs as a group surpassed the EU as the EAC's biggest source of imports. SADC exports grew less, yet ended two and a half times higher in 2010 than a decade before. The intra-SADC trade share was stagnant. The share of exports to China increased from 1.2% to 11.0% while the share of EU-bound exports fell from 38.1% to 27.1%. A similar pattern exists for the import side.

The interaction between the development of economic integration in the EAC and SADC and the negotiations of EPAs with the EU is worrying. Observers argue that the EAC and SADC would benefit from tying their commitments to reduce tariffs and other barriers to a larger agreement. The argument is that non-compliance with EAC and SADC commitments would become politically more costly when such non-compliance would also breach an EPA with the larger partner, the EU. Yet, while such opportunities to derive real benefits from EPAs exist, the EPAs also complicate the already difficult challenge of developing the cooperation in the EAC and SADC and later in the form of the Tripartite.

The state of knowledge of NTBs is much less developed than what would be expected from the recent surge in publications on NTBs in the EAC and SADC. However, most evidence refers back to the same surveys which have faced considerable problems identifying NTBs not to mention assessing their severity. What has emerged from the publications is an increased awareness that NTBs are plentiful but too little is still known about how severe they are, what their impacts are on industries and in aggregate and how to prioritize their removal. NTBs are particularly problematic when they origin in policy measures that serve a legitimate purpose. Such policy measures are becoming more common as the EAC and SADC face new demands for regulation of areas like food safety. The existing EAC and SADC capacity to regulate these areas is quite low and the international models for designing less trade restrictive measures are often not readily available for African countries because such models were developed for much higher income countries.

The report recommends the development of a new approach to NTB removal that focus on designing models of less trade restrictive regulation appropriate for Africa. This approach focuses on developing knowledge and collecting best practice in key issues universally agreed to be subject to important NTBs like food safety. This approach – which we label the issue-based approach – should bring together technical knowledge, policy practitioners and policy analysis. Technical people with long experiences and deep insight into the issue under study should be coupled with analytical capacity to investigate the wider implications of policy initiatives. This approach has worked in the case of customs reform where in-country practitioners work with international agencies with the capacity to collect cross-country experiences and analyze these with a view to extracting international best practice. International agencies, organizations and donors could develop an issue-focused approach to reducing NTBs for such issues. These actors have the capacity and the experience across many developing countries to work with developing country governments and firms to enhance the understanding of trade facilitation aspects of emerging regulatory issues and collect best practice experiences of what works and what does not.

1 Introduction

Fred Bergsten of the Peterson Institute in Washington DC first formulated the bicycle theory of trade liberalization: it has to keep going, if it doesn't you fall. In the East African Community (EAC) and the Southern African Development Community (SADC) there are plenty of obstacles that could cause the process of liberalization to fail. In the past, African countries often established regional agreements but did little to implement them. Even if tariff reductions are implemented and sustained, Non-Tariff Barriers (NTBs) threaten to reverse the gains made from tariff liberalization. Outside influences also affect the process, most importantly through the Economic Partnership Agreements (EPAs) advocated strongly by the European Union (EU) but viewed with scepticism by many African countries and feared by observers to constitute a threat to continued development of regional integration.

This report – commissioned by the Ministry of Foreign Affairs of Denmark –presents and discusses the recent literature and the empirical data on regional integration in the EAC and SADC. We focus on the current situation on the ground: how far the EAC and SADC have gone in implementing the EAC Customs Union and the SADC FTA and how the newly implemented agreements may have affected the flows of trade and investment. We emphasise the issue of NTBs. If not managed well, NTBs become one of those obstacles that threaten to stop liberalisation. Liberalisation always starts by eliminating tariffs, and then it has to proceed to the barriers that are not tariffs. The liberalisation process cannot stop if it is to succeed because the vested interests that used to be protected by the tariffs are still there. This is the situation in the EAC and SADC. Both trading blocs just finished removing most tariffs and their businessmen and politicians appear well aware that vested interests exist that do not share the official vision of the EAC and SADC to grow through open trade but would rather prefer to use NTBs to do the job that tariffs used to do.

Denmark financially supports regional integration in Africa as do numerous other bilateral and multilateral institutions. We therefore focus intensively on extracting policy-relevant knowledge and leave aside most of the more academic discussions on regional trade in Africa. Because this report is written for busy policy makers, we have included short summaries of the individual chapters at the end of each one thereby allowing a busy mind to jump directly to the issue of highest importance to his or her work without having to read the entire report. The report is organized as follows. Chapter 2 outlines economic theory on the establishment of successful regional trade arrangements. Chapter 3 assess the status of the implementation of the EAC Customs Union and the SADC FTA. Chapter 4 analyses trade and investment flows in the two regions while chapter 5 assesses the literature on and policy responses to NTBs. Chapter 6 analyzes the opportunities and challenges of including services, investment and government procurement in EPAs including the ECA and SADC. Chapter 7 asks the question whether the proposed EPAs support trade integration with the EAC and SADC. Chapter 8 concludes and offers policy recommendations.

2 Opportunities and challenges for regional integration in the EAC and SADC

International trade theory provides some traditional arguments for regional economic integration in the forms of preferential trade liberalization such as the formation of free trade areas and custom unions. These arguments often rest on the notions of trade creation and trade diversion (Viner 1950). On the one hand, regional trade typically increases amongst member countries due to the lowering of internal trade barriers within the region. This increase in trade or "trade creation" can be welfare improving as increased regional trade implies reduced inefficient domestic production in individual member countries. On the other hand, existing trade flows between member countries and countries outside of the region might drop due to the preferential liberalization. If the switch from extra-regional trade to intra-regional trade for a member country implies trading with a higher cost regional trade partner, then the situation of "trade diversion" arises and economic welfare for member countries within the region might be reduced due to the inefficiencies associated with the high-cost intra-regional trade (and/or loss of tariff revenues). The combined effects of trade creation and diversion dictate whether a specific preferential trade agreement is welfare improving or reducing.

In general, it is possible for members to benefit from a Free Trade Agreement (FTA) so long as the combined terms of trade and efficiency effects (or tariff revenue effects) of forming the agreement are positive. More precisely, the Kemp-Wan theorem (Kemp and Wan 1976) and the Krishna and Panagariya theorem (Panagariya and Krishna 2002) give respectively the conditions under which customs unions and FTAs can be welfare improving. The Kemp-Wan theorem states that for a customs union to be welfare improving for member countries, it is sufficient to set the common external tariffs at such levels that world market prices at which members of the customs union trade with the rest of the world remain unchanged, thus leading to unchanged trade flows between union members and the rest of the world. Even if total trade flows the union has with the rest of the world are unchanged, it is still possible that those concerning individual member countries may change, thereby resulting in gainers and losers within the customs union in terms of changing tariff revenues. In that case, it is also necessary for union members to agree to an inter-member transfer mechanism to even out the losses and gains across members. Similar to the Kemp-Wan theorem, Panagariya and Krishna (2002) give a sufficient condition for welfare-improving FTAs in that individual members of the FTA need to individually set their external tariffs such that prices and trade flows with the rest of the world remain unchanged.

While it is theoretically possible to make FTAs welfare-improving, in reality such conditions might be difficult to meet. Applicable international trade laws such as the World Trade Organization (WTO) agreements generally only require members of an FTA or customs union not to increase their tariffs on imports from non-members and that the FTA should cover substantially all intra-regional trade. Therefore, whether a specific trade agreement improves welfare for its members is largely an empirical question that cannot be answered theoretically.

Aside from the "static" gains from improved efficiencies as discussed above, FTAs may also enhance economic welfare of member countries by allowing firms to access larger regional markets and realize increasing returns (Krugman, 1979). More intensive competitions on the regional market will also improve the welfare for consumers as more competition tends to lead to more product varieties, better quality and lower prices. In addition, an integrated regional market with re-configured production patterns due to trade liberalization may create a larger market for attracting foreign direct investment. Other benefits from forming an FTA are also suggested, such as the advantages of using the external pressure from the FTA to initiate and implement needed domestic economic reforms, applying the FTA as a signal mechanism for attracting investment, and the benefits from participating in trade talks (for instance, the WTO negotiations and region-to-region trade negotiations such as the negotiations of the EPAs with the EU) as a group.

While regional integrations can theoretically provide the EAC and SADC regions the opportunities for increasing intra-regional trade, improving economic welfare and promoting economic growth, there are various challenges that need to be managed for these potential benefits to be realizable. Indeed, as will be shown in Chapter 4 of this report, even though regional trade flows in the EAC and SADC regions have been on the rise in recent years, shares of intra-regional trade in these regions' total trade flows have not expanded accordingly. As compared to other regions in the world, intra-regional trade in Africa has generally been relatively lower, indicating that there might be untapped trade potentials (Brenton and Isik 2012). In the following discussion, several challenges facing regional integrations in the EAC and SADC regions are summarized.

As indicated by the basic trade theory of preferential trade liberalization, for member countries to gain from forming an FTA, it is necessary that the entailed tariff liberalization measures lead to joint terms of trade and efficiency gains without resulting offsetting losses related to trade diversion. Generally speaking, the FTA should liberalize substantially all trade within the region to maximize the potential for trade creation within the region; and any exceptions to and exemptions from the liberalization schedules should not be substantial. In connection to this consideration, tariff liberalizations are generally deeper and better implemented in the EAC region as this region has already implemented a customs union and is currently discussing the formation of a common market and a monetary union, but not necessarily so in the SADC region, where member states of the SADC FTA are more diversified in terms of their development stages and where there is a well-established customs union (i.e. SACU which includes only a subset of the SADC countries) within the more loosely connected free trade area, thereby making the complete trade liberalization a challenging task. Furthermore, average external trade barriers (or the average common external tariff (CET) barriers in the case of a custom union) should not be raised as a result of regional integration to upset existing external trade flows. Towards this end, it is especially challenging for the EAC and SADC regions to properly manage their own regional integration processes and their participation in trade talks with other countries/regions as well as in the multilateral trade negotiations, as the latter processes will influence how the CETs are designed and implemented. In the case of SADC region, additional challenges lie in the difficulties with managing the relationship between the SACU and the rest of the SADC regions.

Summary

Using regional economic integration to improve incomes in Eastern and Southern Africa necessitates that policy makers maximize trade creation and minimize trade diversion. While this necessary condition for improving incomes is well known to trade economists, it is less appreciated by policy practitioners. Furthermore, the condition is difficult to translate from abstract economic theory to applicable policy. Yet, two rules of thump exist. First, the EAC and SADC should strive to liberalize substantially all intra-regional trade to maximize the potential for trade creation. Second, to minimize the risk of trade diversion, average external barriers should not be raised.

3 Status of implementation

3.1 The East African Community

By 1 January 2010 all tariffs between the EAC Partner States had been removed – a remarkable achievement considering the difficulties experienced by other African regional communities attempting to do the same thing. The freeing of regional trade is the most significant achievement in the process of East African economic integration. EAC followed a short route to free regional trade by creating a customs union as the first step thereby avoiding the customary step of establishing a Free Trade Area that SADC and most other regional economic communities follow.

EAC works intensively to further liberalise economic ties by establishing a Common Market. The most important aspect is to supplement tariff removal with the reduction of NTBs – work that currently preoccupies the Partner States and which we will discuss in detail in section 5. Beyond the Common Market, the EAC officially plans to follow an EU-style plan establishing an East African Monetary Union, a highly debated move that was planned to be implemented by 2012. This plan that even include talks about creating a political federation at an unspecified future data still surfaces at EAC Summits and similar high-level political meetings, however, for the time being the major efforts at concentrated at maintaining the Customs Union and working towards the Common Market.

Partner States removed intra-regional tariffs smoothly (Mugisa, Onyango and Mugoya 2009). Internal trade was liberalized immediately for all intra-EAC trade flows except Kenyan exports to the rest of the EAC. Kenyan exports were gradually allowed ever easier access throughout the five year transition period. When Rwanda and Burundi joined the EAC, they reduced tariffs on trade with the other Partner States from June 2009. Prior to the Customs Union, Kenya, Tanzania and Uganda applied COMESA tariff preferences on most of intra-EAC trade. Thus the tariff liberalisation that followed from the EAC Customs Union took place from an already low level (Stahl 2005).

During the implementation phase, the external tariff rates of the Partner States were harmonized in a CET scheme consisting of three tariff bands: 0% for raw materials and capital goods; 10% for intermediate goods; and 25% for consumer goods. But for some products, tariffs are much higher. The EAC has identified 58 products as ‘sensitive’, these products are subjected to higher tariff which may even be higher than the tariffs in existence before the Customs Union. The tariffs for sensitive products are set at between 35 and 100%, i.e. 35, 40, 45, 50, 55, 60, 75 and 100%. Table 1 presents examples of the tariffs on sensitive products.

Mugisa, Onyango and Mugoya (2009) find that on average the adoption of the CET liberalised EAC external trade. Naturally, the average effect masks considerable diversity at the level of individual tariff lines. The introduction of the three band CET meant that in Uganda 3,066 tariff lines were expected to increase compared to 1,224 in Tanzania and 1,144 in Kenya. In Kenya the CET lowered 3,216 tariff lines, more than in Tanzania (2,364) and Uganda (1,353). The average tariffs in Kenya

Table 1. Tariff rates of selected sensitive products

Product	Rate (%)
Milk and cream	60
Wheat and meslin grain	35
Wheat and meslin flour	60
Maize	50
Rice	75
Cane and beet sugar	100
Khanga, Kikoy, Kitenge	50
Worn clothes	45

Source: Mugisa, Onyango and Mugoya (2009).

and Tanzania, respectively, had dropped from 16.8% and 13.5%, to 11.6%. However, for Uganda, the average tariff rate rose from 9% prior to the implementation of the CET. Furthermore, the Customs Union brought enhanced transparency and predictability to exporters and investors.

Contrary to expectations a 2009 evaluation of the impact of the Customs Union finds that the total tax revenue has actually increased in all Partner States despite the initial fears that the CET would diminish government revenue. The report attributes the revenue increase to improved trade and economic growth combined with better customs administration in the individual Partner States (Mugisa, Onyango and Mugoya 2009).

Now, the EAC works both towards the establishment of the Common Market and to maintain the benefits of the Customs Union. Kenyan president Mwai Kibaki officially on 1 July 2010 launched the East African Common Market Protocol. The protocol aims at the free movement of labour, capital, goods and services within the EAC. Most efforts are done to eliminate NTBs on goods while many of the other elements of the envisioned Common Market receive less attention. In parallel, Partner States need to remain committed to preserve the gains achieved of the Customs Union. Media reports of deviations from the new customs regime and Peter Kiguta, EAC Customs and Trade Director General, has warned that Partner States must refrain from imposing taxes and levies of equivalent effect to tariffs and granting duty exemptions outside the CET (tralac 2010).

3.2 East African Community

Compared to the smooth implementation of the EAC Customs Union, the ride towards the less ambitious SADC Free Trade Area has been decisively bumpier. The SADC Protocol on Trade was signed in Maseru in August 1996 by eleven Member States and entered into force on January 25, 2000. Tariff reductions were initiated on 1 September, 2000 and were scheduled to result in a Free Trade Area. Soon the Member States made more ambitious plans for further economic integration. In 2003, SADC adopted the Regional Indicative Strategic Development Plan. With the plan, the Member States both planned the implementation of the FTA in detail and outlined a 15-year framework for intensified regional integration until 2018. SADC would finalize the FTA in 2008 opting to create a WTO legal FTA covering 85% of the regional trade in goods while eliminating the tariffs on the rest by 2012. Two years before, in 2010, Member States should have completed negotiations on the SADC Customs Union, and they planned to finalize negotiations on a Common Market in 2015. Farther out in the horizon SADC should form the basis for a monetary union and eventually an economic union by 2018. Since the tariff liberalisation schedule has driven economic integration while much of the rest of the economic integration agenda has proven to be premature. In 2010, the SADC Summit in Windhoek postponed the establishment of a Customs Union.

However, after a slow start, SADC has successfully cut tariffs and established the FTA envisaged in the SADC Protocol on Trade according to which Member States had agreed to phase out tariffs over the 2000 to 2012 period[1]. The slow start is evident in Tables 2 and 3 indicating the tariff offers made in terms of percentages of tariff lines (not volume of trade). To counter fears of the economic strength of South Africans, Member States agreed to follow two schedules: one for offers to South Africa (table 2) and one for offers to all other Member States (table 3). As indicated, the reductions were heavily back-loaded with most of the reduction years planned for the latest years. The tables include the twelve Member States participating in the Protocol on Trade: South Africa, Botswana, Lesotho, Namibia, Swaziland, Madagascar[2], Malawi, Mauritius, Mozambique, Tanzania, Zambia and Zimbabwe. Angola has signed the Protocol but has not yet submitted instruments of accession. The Democratic Republic of Congo (DRC) and the Seychelles have not yet signed the Protocol. Five of the Members States, Botswana, Lesotho, Namibia, South Africa and Swaziland, were already part of SACU established in 1910. Therefore these five countries appear jointly under the title of SACU in the tables.

The United States' Agency for International Development (USAID) funded Southern Africa Trade Hub project has monitored the implementation of the Protocol on Trade since 2007 issuing annual Trade Audits. The 2007 Audit was comprehensive while the subsequent Audits have been updates

Table 2. SADC tariff reduction offers to South Africa

	# Lines	2001	2005	2008	2010	2011	2012	2015	Excluded
Malawi	5,443	33,4	33,4	84.9	84.9	84.9	99.7		0.3
Mauritius	5,479	69.4	69.7	90.5	90.5	90.5	100.0		0.0
Mozambique	5,246	28.1	28.1	92.6	92.6	92.6	92.6	99.6	0.4
Tanzania	6,217	15.7	15.7	84.5	84.5	84.5	99.3		0.7
Zambia	6,066	32.1	32.1	95.8	95.8	95.8	100.0		0.0
Zimbabwe	7,167	32.0	44.4	71.8	72.7	82.3	82.3		0.8

Source: SATH (2010), Table 2, p. 6.

[1] Mozambique has a derogation to extend the period of tariff reduction for trade with South Africa to 2015.
[2] Madagascar is currently suspended from SADC, yet still eligible for Protocol of Trade benefits.

Table 3. SADC tariff reduction offers to all SADC Member States except South Africa

	# Lines	2001	2005	2008	2009	2010	2011	2012	Excluded
SACU	7,802	63.6	94,2	99,2	99.2	99.2	99.2	99.2	0.8
Malawi	5,443	33,4	33,4	85,3	85.3	85.3	85.3	99.7	0.3
Mauritius	5,479	69,7	90,5	90,5	90.5	90.5	90.5	100.0	0.0
Mozambique	5,246	30,1	30,1	94,0	94.0	94.0	94.0	99.6	0.4
Tanzania	6,215	24,4	24,4	86.3	86.3	86.5	86.5	99.3	0.7
Zambia	6,066	54,2	54,2	95.9	95.9	95.9	95.9	100.0	0.0
Zimbabwe	7,167	70,6	70,6	89.8	93.1	93.2	95.0	98.7	1.3

Source: SATH (2010), Table 1, p. 5.

of the 2007 study with special focus on areas identified by the SADC Secretariat. The 2011 audit contained in SATH (2011) focused on tariff reductions, NTB elimination, third party preferential trade agreements, implementation of revised Rules of Origin and the status of the 2010 Action Plan.

The first Trade Audit found that many Member States did not implement the tariff cuts they had committed to (SATH 2007), but by the end of the implementation period the situation improved greatly. Table 4 evaluates Member State compliance towards the end of the implementation period. All Member States except Malawi and Zimbabwe are broadly respecting their commitments. SATH (2011) concludes that intra-SADC tariffs would be largely eliminated by January 2012. Tanzania and Zimbabwe obtained time-limited derogations on a small number of products. SATH (2011) assesses the impact of these derogations and concludes that the trade damages to the other SADC countries are likely to be minimal and transient.

From 2008 to 2012, the Member States have agreed to remove the remaining tariffs on ‘sensitive products’ leaving only a category of ‘excluded products’ subject to duties. Excluded goods were determined by each Member State as part of its original offer. Chapter 93 (Arms and Ammunitions) is always excluded from the Protocol. The list of excluded products as provided in Table 5 is rather small.

Contrary to the Customs Union of the EAC, the SADC FTA suffers from difficult-to-use Rules of Origin. Rules of Origin are necessary in FTAs to determine eligibility for preferences and to avoid trade deflection. Rules of Origin have been highly contentious in SADC negotiations. Twosignificant revisions have taken place. The last revision of the rules was adopted in 2008. SATH (2011) discusses the implementation of the revised rules. Contrary to the 2008 decision, Member States have not reported on implementation of the revised rules, a deficiency that causes doubts about which rules are applied: the 2008 or the 2004 ones? SATH (2011) reports that five countries (Botswana, Mauritius, Mozambique, Tanzania, and Zambia) have implemented the

Table 4. SADC Member States tariff reductions

Country	Compliance	Comments
SACU	Full	Individual SACU Members may apply tariffs outside of the SACU CET
Malawi	Partial	Only 46% of tariff lines under SACU and SADC offers are compliant with obligations equivalent to 2004 and 2005 for the SADC and SACU offers respectively
Mauritius	Likely full	Some discrepancies existed but likely to have disappeared with 1 January 2012 reductions
Mozambique	Likely full	Parliament has approved the all 2000 to 2015 tariff reduction commitments in one block; few significant issues regarding implementation
Tanzania	Nearly full	Parliament has approved the all 2000 to 2012 tariff reduction commitments in one block; few significant issues regarding implementation; request derogation on sugar and certain types of paper
Zambia	Nearly full	Parliament has approved 2008-2012 reduction commitments, yet problems persists of discrepancies between applied and committed rates; private sector experience transparency problems and has difficulties determining expected tariffs
Zimbabwe	Partial	Zimbabwe has not implemented reduction commitments since 2008 and has obtained a derogation to postpone the liberalisation of sensitive products with two years.

Source: SATH 2011.

Table 5. Excluded products

Country	# lines	Product categories with excluded tariff lines [a b]
SACU	31	Sugar and sugar products; Used clothing; Motor vehicle parts
Malawi	19	Sugar
Mozambique	19	Ivory
Tanzania	43	Ivory and other restricted animal hides/materials; Opium; Propellant powder (explosive)
Zimbabwe [c]	34/89	Jet/specialized fuels; Vehicle/parts; Rear view mirrors; Used clothing; Radioactive products; Used tires; Precious metals

Notes: [a] The product categories indicated include many tariff lines of which only some were excluded; [b] Chapter 93 (Weapons and ammunitions) is excluded for all Member States; [c] .Zimbabwe excluded 34 tariff lines in its offer to South Africa and 89 in its offer to the rest of SADC. Source: SATH 2011.

revised rules, four countries (Lesotho, Malawi, Namibia, and South Africa) have not and two countries (Swaziland and Zimbabwe) cannot be verified. Furthermore, Member States occasionally report difficulties in verifying Certificates of Origin.

3.3 Summary

The plans for economic integration in Eastern and Southern Africa are ambitious. For some aspects like common curriencies and other aspects of policy coordinations, the plans are little developed, while action has been effective on the more limited goal of removing tariffs on regional trade. There is some variation between the degree of implementation of tariff cuts between the EAC and SADC. The EAC Customs Union is fully implemented; this was achieved on time with only insignificant deviations and delays. The EAC Partner States have removed nearly all intra-EAC tariffs and established a CET which is lower for most but not all. The SADC FTA is also nearly fully implemented however after some initial difficulties and in a much less effective way than the admittedly simpler EAC Customs Union. Initially, many Member States delayed tariff reduction but nearly all now meet their liberalization commitments. The operation of the Rules of Origin necessary for the SADC FTA is a big threat to deriving benefits from the tariff reductions.

4 Trade and investment flows in EAC and SADC

This section offers an overview on intra-regional trade flows within the EAC and SADC regions during the period of 2000-2010. For comparison purposes, these two regions' trade with the rest of the world, particularly with their traditional trading partners in the developed world and with key emerging economies (such as China and the other countries in the BRIC group consisting of Brazil, Russia, India and China), are also discussed. Bilateral merchandise trade flows drawn from the UN COMTRADE database are used. In addition, these two regions' service trade and foreign direct investment are also discussed using respectively data sourced from the UN service trade database and the United Nations' Conference on Trade and Development's (UNCTAD) database on Foreign Direct Investment (FDI).

4.1 East African Community

4.1.1 Total intra-EAC and extra-EAC merchandise trade flows

Total intra-EAC trade measured as exports reported by the EAC countries increased from around US$500 million in 2000 to more than US$2.36 billion in 2010, representing a percentage increase of more and 370% (see Appendix A - Tables 1a and 1b). During the same period, EAC's total exports to the world grew at a slightly lower pace, increasing from US$2.67 billion to 11.35 billion. As a result, the share of intra-EAC exports in the total exports from the EAC to the world actually increased from 18.7% in 2000 to 20.8% in 2010. The most dramatic changes in EAC's exports, however, are associated with the relative importance of the markets of the EU, China, and other Sub-Saharan African countries (i.e. Sub-Saharan Africa countries excluding South Africa and the EAC countries themselves; hereafter we call this group 'rest of Africa'). The rest of Africa's share of EAC exports rose from 6.7% in 2000 to 15.1% in 2010, while that of China increased from 0.2% to 6.4% in the same period. The combined increase of export shares of the rest of Africa and China (about 14.6 percentage points), together with the increased share of intra-EAC exports (2.1 percentage points), explains much of the declining share of the EU market (from 38% in 2000 to 19.7%, representing a reduction of 18.3 percentage points). It is important to also note that in value terms, the EAC's exports to the EU actually increased from around US$1 billion to 2.24 billion during the period; however, this increase is at a much slower pace as compared to the EAC's exports growth to other markets.

Another way to measure growth of intra-regional trade flows is to examine the import statistics. Due to the availability of data, differences between the valuations of import and export statistics, as well as the quality of data, total intra-regional imports and exports reported by the EAC countries cannot be easily reconcilable even though in principle they should reasonably match each other. In terms of total imports, the EAC region generally maintained a large trade deficit as its total imports were more than twice of its total exports in value terms during the 2000-2010 period. In terms of import compositions by sources, China and other BRIC countries' shares increased significantly from 9.6% to 24.5%, whereas the EU's share decreased from 27% to 17%. Surprisingly, although the EAC increased its exports to the rest of Africa region, the importance of this region as a source of imports was more or less unchanged.

Based on the above and despite potential inconsistencies between the import and export flows reported by the EAC countries, it appears that the intra-EAC trade had grown in similar paces as the EAC's total trade flows, the latter of which had expanded quite rapidly in the recent decade. In terms of regional compositions of export destination and import sources, the most notable observation is that the EU's importance had diminished especially as an export destination. At the same time, the importance of the BRIC countries, especially China, increased quite dramatically. Also, China and other BRIC countries become more important sources of imports into the EAC as compared to their role as destinations of EAC exports. Finally, the rest of Africa region proved to be a most dynamic growth region for EAC's exports but its role as a source of import into the EAC remains very limited.

4.1.2 Top traded HS-6 products within the EAC

Looking at the commodity composition of inter-regional exports at the Harmonized System (HS)-6 digit level, as shown in Table 2 in Appendix A, it is clear that while the EAC countries generally export limited ranges of products to each other, there is also a general trend that they had diversified their export baskets to each other in recent years. For Burundi and Uganda, the top five export products at HS-6 level represented respectively 97.6% and 73.2% of these two counties' total intra-EAC exports in 2000, while in the case of the more diversified economies Kenya and Tanzania, the same shares were respectively 28.2% and 48.1%. In 2010, the export shares of the top five products decreased significantly for Burundi, Uganda and Tanzania, with reductions in percentage points ranging from nearly 40 percentage points for Uganda, 25 percentage points for Burundi, and 18 percentage points for Tanzania. Kenya continued to have the most diversified export baskets with shares of its top five exports dropping from 28.2% to 22.7%.

Along with exporting more diversified export baskets in intra-EAC trade, there is also some evidence of upgrading from primary and unprocessed products to light manufacturing and processed products. For instance, Tanzania's top exports in 2010 include fertilizers, textiles, and liquefied natural gas.

As the EAC countries export limited ranges of products to each other, it is only natural that they also import limited ranges of products from each other. The top five import products at HS6 level comprised of between 30.6% (for Tanzania) and 62.7% (for Uganda) of these countries' total intra-regional imports. These shares dropped noticeably during the past decade. For instance, import shares of the top five products decreased from 48.2% to 25.2% for Kenya and from 62.7% to 31.9% for Uganda, suggesting that these countries also diversified their intra-regional imports.

4.1.3 Development of service trade and FDI

The five EAC member countries are highly heterogeneous when it comes to their service exports (see Appendix A - Table 3). Burundi and Rwanda had hardly any service exports in the earlier years of the past decade, while Kenya and Tanzania had substantial service exports. In the case of Kenya, its service exports nearly doubled from US$1.88 billion in 2005 to 3.67 billion in 2010. Tanzania's service exports nearly tripled from 2000 to 2010 when the total reached US$1.85 billion. Elsewhere in the region, Burundi remained a very small service provider, while Uganda and Rwanda increased their service exports considerably.

Being the largest service exporter in the region, Kenya relies on transportation services, travel, government services, and communication services, with the growth of the transportation sector driving much of the growth in its service trade. Tanzania, the 2nd largest service exporter in the region, exported in far fewer sectors with a dominant travel service sector which experienced rapid growth in recent years.

According to the FDI data compiled by UNCTAD (Appendix A - Table 4), inward FDI into the EAC as a whole had increased from less than US$600 million in 2000 to over 1.7 billion in 2010. The main recipients of inward investment flows in the EAC region are Uganda and Tanzania, with the rest of the region receiving very little investment. Compared to the inward investment flows into the EAC countries, there were virtually no outward FDI from these countries, suggesting that most of the inward FDI flows into the EAC region were actually from outside of the regions.

4.2 Southern African Development Community

4.2.1 Total intra-SADC and extra-SADC merchandise trade flows

There are fifteen official members of the SADC region but not all of these countries reported their trade data to the UN COMTRADE database. Most notably, both Angola and DRC are missing in the COMTRADE database for all the years during the period of 2000-2010. In addition, Lesotho, Swaziland, Namibia, Seychelles, and Zimbabwe are missing for various years. Therefore, the following summary is drawn on what is actually available from the COMTRADE database and may not represent the true total intra-SADC trade flows.

Total exports from the SADC region to the world increased from around US$38.4 billion to nearly 96.9 billion in 2010, with the peak reaching over 100 billion in 2008 (see Appendix A - Tables 5a and 5b). During the period, between 4% and 5.7% of these exports were to South Africa, the largest economy in the SADC region. In fact, comparing SADC's export shares to South Africa in 2000 and 2010 reveals that South Africa's importance as an export destination actually diminished slightly (from 4.5% in 2001 to 4.2% in 2010). Likewise, the share of total intra-SADC exports in total exports from SADC remained quite stable, starting at 15.3% in 2000, peaking at 18% in 2006 and then dropping to 15.5% in 2010. Similarly, there had not been noticeable relative changes in SADC's exports to other African countries. In fact, the share of SADC's exports to other Sub Saharan African countries (i.e. Sub Saharan Africa minus the SADC region) only increased marginally during the period (from 2.3% in 2000 to 3.9% in 2010). In summary, it appears that growth of intra-SADC exports as well as SADC's exports to other African countries had largely tracked the general development of SADC's total exports during the 2000-2010 period.

Comparing the quite stable intra-SADC export shares, SADC's exports to China and other BRIC countries increased quite significantly. In the case of China, SADC's exports to China increased from US$445 million in 2000 to 10.7 billion, leading to an increase of export share of nearly 10 percentage points for China. In contrast, despite a near doubling of SADC's export values to the EU, the share of SADC's exports to the EU actually decreased from 38.1% to 27.1%, representing a reduction of 11 percentage points.

SADC's total imports from the world exceeded its exports to the world by a relatively smaller margin, as compared to the situation for EAC (see Appendix A - Tables 5a and 5b). In 2000, SADC imported roughly the same amount from the world as it exported to the world. By 2010, its total imports exceeded its total exports by about 25%, which is still far less than the percentage trade deficit of the EAC for the same year. In terms of the composition by import sources, South Africa had been an important source of imports into the other SADC countries but its share had been gradually declining from the peak of 19.5% in 2002 to 11.6% in 2010. Still, South Africa remains a more important source of imports into the SADC region, as compared to its role as an export destination (with an export share of only 4.2% in 2010). Furthermore, share of total intra-SADC imports in total SADC imports remained quite stable at around 17%, again suggesting that growth of intra-SADC trade flows by and large tracked the development of total SADC trade flows.

Outside of the SADC region, China elevated its status as a major import source for SADC with its share of SADC's imports rising from 3.6% in 2000 to 12.2% in 2010. In fact, SADC's imports from China in 2010 were more than ten times of that in 2000 (i.e. from US$445 million to US$ 5.5 billion). In contrast, the EU still maintained its position as the largest source of imports into SADC as its share of SADC's imports was only reduced from 32.5% in 2000 to 26.4% in 2010, which is a much smaller reduction as compared to the EU's reduced share of SADC exports.

To summarize, during the period 2000-2010 intra-SADC trade largely kept pace with the overall growth of SADC's total trade to the world, with intra-SADC trade comprising of between 15% (export share) to 17% (import share) of SADC's total trade. Within the SADC region, South Africa is a more important source of imports as compared to its role as an export destination. With the rise of China and to a less extent the other BRIC countries as both sources of imports and destinations of exports for the SADC countries, the EU's role on both the import and export fronts had declined. However, unlike the case of EAC, the EU remains a dominant trade partner for the SADC region with its shares of the SADC region's total imports and exports still exceeding 25% in 2010. Lastly, unlike the case for the EAC, there are no noticeably increases in the SADC region's trade with the rest of the Africa.

4.2.2 Top traded HS-6 products within the SADC region

Table 6 in Appendix A lists the top 5 exported products at HS-6 level for selected countries within the SADC region. For most of these countries, their top 5 exported products within the region comprised of a large share of their respective total intra-regional exports at the beginning of the period. In seven countries – Botswana, Lesotho, Mozambique, Seychelles, Namibia, Swaziland, and Zambia – intra-SADC export shares of the top 5 products exceeded or were close to 50% in 2000, suggesting a very high degree of concentration of intra-regional exports in a few products in these countries. South Africa was an exception in 2000 with its top 5 export products claiming a share of only 21.6% in its total exports to SADC. This is certainly reasonable considering size of the South Africa economy as well as its level of development, relative to the rest of the SADC region. At the end of the period considered (i.e. 2010 for most of the countries and 2008 or 2009 for several countries which did not report 2010 data to the COMTRADE database), shares of top 5 export products shrank considerably for many countries in the region, perhaps due to more diversified export baskets by these countries. However, several countries' export share of top 5 products actually went up in the period, including Mozambique, Namibia, Tanzania, and Zimbabwe. For Mozambique, sharp rise of frozen shrimps and prawns and oil products elevated the share of its top 5 exports to be over 80% in 2010. In Tanzania, the share of urea exports bumped the share of its top 5 exports to nearly 64%. And in Zimbabwe, rising shares of gold and raw sugar helped to increase the share of its top 5 exports to be over 79%.

4.2.3 Service trade and FDI

The SADC region had substantial service exports valued at more than US$9 billion in 2000, an amount that was more than doubled in the following decade, reaching the level of US$18.6 billion in 2010. South Africa is by far the most dominant service provider in the SADC region, with its share being in the range of 50% to 75% during the period. For the most recent year (2010), South Africa's service exports reached nearly US$14 billion or about 75% of total service exports from the whole region. Other significant service exporters in the region include Mauritius, Tanzania, Madagascar, and Namibia, all of which exported more than or nearly one billion US dollars in 2010.

Travel service and transportation services are among the main service exports for many SADC countries. For instance, 65% of South Africa's service exports in 2010 were in the travel sector and another 12% were in the transportation service sector. In 2009, 50% of Mauritius's service exports were in the travel sector and an additional 15% were in the transportation service sector. Other business services are also important for a number of SADC countries, including Botswana, Madagascar, Mauritius, South Africa and Swaziland. Several SADC countries also have substantial exports of government services and royalties and license fees.

Considerable foreign investment was attracted into the SADC region in the 2000-2010 period. In 2000, the SADC region attracted about US$4.4 billion inward FDI; by 2008 SADC's inward FDI peaked at US$31.5 billion. In 2010, it levelled off to about US$19.5 billion. Although South Africa had been a major destination of inward FDI in the SADC region, it is Angola that consistently attracted the most foreign investment for most of the years in the period considered. The DRC also had considerable inward FDI in the more recent years.

Outward FDI from the SADC region was quite limited for the same period and fluctuated from year to year. Total outward FDI from the region peaked at more than US$6.3 billion in 2006 and decreased to US$2 billion in 2010. South Africa had some substantial outward FDI in 2006 and 2007, whereas in the more recent years Angola invested the most overseas. The generally large gap between the inward and outward FDI flows for the SADC region suggests that the SADC region remains a net recipient of inward FDI and that the bulk of the inward FDI into the region are likely from outside of the region.

4.3 Summary

Over the last decade, both the EAC and SADC experienced strong growth in merchandise trade, saw some limited signs of diversification and – based on weak data – developed services trade and FDI too. Both regions also developed much stronger ties with China and to some extend with the other BRICs while the EU lost importance yet remains the most importing trading partner for both regions.

In the EAC, exports more than quadrupled from 2000 to 2010. Most interestingly in the perspective of this report on regional integration, in the EAC, the intra-regional share of total trade grew although only modestly. The share of exports to China grew strongly, from 0.2% to 6.4% of total exports, while the share of exports to the EU was nearly halved. The pattern was the same on the import side. Interestingly, the BRICs as a group surpassed the EU as the EAC’s biggest source of imports.

In SADC, exports were two and a half times higher in 2010 than a decade before. Intra-SADC trade stayed largely the same, although South Africa lost a bit of its traditional role as the country that trades the most within SADC. However, South Africa remains a strong source of imports for the other SADC countries. The share of exports to China increased from 1.2% to 11.0% while the share of EU-bound exports fell from 38.1% to 27.1%. On the import side, China grew four times more important as a source for imports over the period measured in share of imports. The EU remained the largest source of SADC imports but its share of total imports fell from roughly a third to a quarter.

5 Non-Tariff Barriers

5.1 Introduction

Academics' research, international organisations' policy reports, newspapers' columns and politicians' speeches all frequently emphasize NTBs. In this chapter, we present and discuss the most recent evidence on NTBs in the EAC and SADC: Exactly how plenty are they? How harmful are they? How do the EAC and SADC manage them? And how much do we really know? Some sources appear very certain that NTBs proliferate and are very costly – in a recent report on Southern Africa the World Bank estimates that NTBs in SADC cost "*US$1.3 billion per year – equivalent to more than half of the GDP of Lesotho*" (World Bank 2011: 26). But how certain are such estimates in the data scarce region of Eastern and Southern Africa on a topic like NTBs for which it is notoriously difficult to collect data? In this chapter, we will include considerations of what uncertainty means for our ability to answer the crucial questions stated on NTBs in the EAC and SADC NTBs.

5.2 Nature and definition of NTBs

Before we present the evidence with which we can answer the questions posed in this chapter, we need to understand what NTBs are. NTBs are part of a very large family of policy measures affecting trade. These measures are named Non-Trade Measures (NTMs) and some of them affect trade in a justifiable way, others do not. NTBs are those NTMs that cannot be justified. This definition is difficult to apply for policy practitioners because they find it hard to differentiate between a measure affecting trade in a justifiable way and one that does not. Consider food safety.

Food safety policy often affects trade, so many food safety measures are NTMs and some of these may be NTBs. Whether they are one or the other depends on both design and application. EU aflatoxin limits in groundnuts typify both NTMs and NTBs. Aflatoxins are naturally occurring toxins produced be certain moulds that grow on food that has been stored improperly like under humid conditions. According to the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) – the most commonly accepted yardstick for whether NTMs are justifiable or not – EU aflatoxin limits on groundnuts are legitimate and thus not NTBs if backed by scientific evidence. This evidence should demonstrate that the limit set truly protect EU consumers against some hazard. Groundnut aflatoxin measures may pass this test as aflatoxins are known to be carcinogenic. But the test does not stop there because groundnut aflatoxin limits may be used to create trade barriers despite having a noble objective. Such measures could be used to discriminate between domestic and foreign producers or between different foreign consumers. If the EU argues that aflatoxin limits should be higher for imported groundnuts than for home produced ones, the rules would be discriminatory and the groundnut rules would not be justifiable and thus be an NTB. Another possibility illustrating yet another aspect of NTBs arises when considering that the aflatoxin limit may be properly designed but poorly implemented. If testing two import consignments in two different ports equipped with measurement equipment of different accuracy, the consignment in the port with the least effective equipment will have easier access to market than the consignment unfortunate enough to pass the other port. In this case, the NTM becomes an NTB – and illegal under WTO law – due to poor implementation.

In short, NTB identification is a complex undertaking often involving technical and legal expertise. For the rest of this section, consider a hypothetical African regulator tasked to identify NTBs for future elimination. Careful NTB identification is an important undertaking for legal reasons – the outcome of identification exercises are commonly used in WTO and other trade disputes – and for policy reform reasons too. Our regulator needs to understand the complexities involved to tailor-make policy reform to best reduce the negative impacts of an NTB. NTBs may be identified in a two-stage process. First, the regulator identifies NTMs and second, distinguishes between justifiable NTMs and NTBs. Even the first step is a big task because NTMs are so numerous. To assist our African regulator (and to allow for consistent cross-country comparisons), the United Nation's Multi-Agency Support Team (MAST) in 2009 developed a new classification system presented in Box 1. This system classifies NTMs in 16 chapters each of which are further subdivided into finer categories. MAST supplements its NTM classification system with a classification of procedural obstacles that address the implementation of an NTM rather than its design.

The regulator may search Box 1 to identify NTMs and having found an NTM that may be a candidate for also being an NTB move on to the second step. That may take a while. Considering that procedural obstacles cut cross across many policies, it is clear that almost any policy may include elements fitting in one of the categories in the MAST classification – for example one obstacle that MAST presents is non-transparency and many policies may lack transparency and therefore impact trade in some way. Many of the modern regulatory issues, like sanitary and phytosanitary (SPS) measures or intellectual property rights, that EAC and SADC Member States have recently begun to develop affect trade and may cause procedural obstacles and thus be NTBs.

In the second step, what the regulator needs is a yardstick to differentiate between legitimate NTMs and illegitimate NTBs. The trade economist Robert Baldwin proposed one in 1970. He defined NTBs as those NTMs that decrease economic welfare (Baldwin 1970). Unfortunately for the regulator, this definition sounds conceptually simple but in practice it is difficult to use in its raw form and thus rarely an appropriate yardstick. Luckily, academics and policy practitioners have recently worked on improving NTB assessment methodologies (e.g. Beghin and Bureau 2001; Cadot, Malouche and Saez 2011; Carrere and de Melo 2009a, 2009b; and van Tongeren, Beghin, and Marette 2009). Our regulator may find a useful yearstick in this rapidly expanding toolbox, but many of the new methodologies are heavily dependent on data and expertise that our regulator may not have access to given that the EAC and SADC is where the regulator will apply them.

Thus our regulator in all likelihood will be short on useful assessment methodologies but rich in potential NTBs. To sift through the many NTMs that have the potential to be NTBs the regulator likely will use a mix of common sense, consultations with knowledgeable practitioners knowing business, equally knowledgeable people knowing something about the technical areas in which NTBs are likely to be found (like food safety), selected donor-funded consultants, and some loose reference to the basic ideas in the definition of Baldwin (1970).

Box 1. MAST NTM classification system

The Director General of UNCTAD and the WTO asked a group of eminent persons to advance work on non-tariff barriers. A Multi-Agency Support Team (MAST[1]) provides the technical work and has developed a new classification system. The system is purely descriptive and is not an analytical scheme. It has no prior assumptions about the effects of NTMs. The MAST list includes procedural obstacles relating to the implementation of measures, not the measures themselves. This list illustrates what kind of policy measures that may fall into the NTM category:

A. Sanitary and phytosanitary measures
B. Technical barriers to trade
C. Other technical measures
D. Price control measures
E. Quantity control measures
F. Para-tariff measures
G. Finance measures
H. Anti-competitive measures
I. Export-related measures
J. Trade-related investment measures
K. Distribution restrictions
L. Restriction on post-sales services
M. Subsidies
N. Government procurement restrictions
O. Intellectual property
P. Rules of origin

The main headings of the classification of procedural obstacles are:

- Arbitrariness or inconsistency
- Discriminatory behaviour favouring specific producers or suppliers
- Inefficiency or obstruction
- Non-transparency
- Legal issues
- Unusually high fees or charges (e.g. for stamp, testing or other services rendered)

The list only includes the main categories. See appendix 1 for a disaggregation of these.

[1] Members of MAST include: Food and Agricultural Organization of the United Nations (FAO), International Monetary Fund (IMF), International Trade Centre (ITC), Organisation for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), the World Bank, and the World Trade Organization (WTO).

5.3 Typical NTBs encountered in the EAC and SADC

Trade in Eastern and Southern Africa does not occur according to a standard textbook in trade economics. The trading environment is highly complex and marked by strong regulatory efforts despite low regulatory capacity and widespread – and often successful – attempts at avoiding regulation. Governments face rising demands for regulation and take upon them ever more challenging tasks – like advanced food safety measures – which require new forms of regulation often easily resisted by traders who respond by leaving format markets. This interaction between ambitious and often overreaching governments and entrepreneurial traders results in uneven implementation of trade reforms (like regional agreements), uncertainty about current rules and large informal trade flows. In this environment, NTBs thrive.

Examples of NTBs can be found in nearly every NTM category identified in the MAST classification system as demonstrated in the works of the recent surge in policy work on NTBs in the EAC and SADC. In essence, nearly all regulatory activities may be either designed to trouble traders or implemented to this end. To give the reader a flavour of what NTBs in Eastern and Southern Africa look like, in this section, we briefly present typical NTBs observed in the region.

Customs administration

Customs revenues remain important to EAC and SADC countries although the composition of this revenue is naturally changing with the liberalisation of regional trade. Traders frequently complain of prolonged formalities, duplication of clearance processes, erroneous valuation of goods for customs purposes, badly functioning pre-shipment procedures, limited border post capacity and the presence of multiple agencies at the border posts doing seemingly identical tasks (Imani Development 2007, World Bank 2008).

Technical regulations

Goods and services frequently conform to exacting specifications which may differ across markets. Sometimes the differences are justified by changing local context and sometimes they are deliberately put in place to keep the imports out or end up having that effect because no one thought about the consequences of having different specifications that may origin in historical practices or result from mere coincidence. For example, the EAC has adopted a 3-axle – 7 tonne per axle load requirement for trucks which has been duly implemented by Tanzania. The remaining 4 Partner States, however, continue to allow 4-axle trucks carrying much heavier loads causing troubles for trucks crossing borders (World Bank 2008).

SPS measures

These measures protect human, animal and plant health but may also protect selected bureaucratic interests or well-connected businessmen. SPS measures tend to require advanced forms of regulation difficult to fit to the local African context. Codex Alimentarius standards and models of SPS management conceived in high income countries may cause conflicts and NTBs when introduced uncritically in the EAC and SADC. Such advanced regulations also cause confusion exemplified by food regulation in Tanzania where the Tanzania Bureau of Standards and the Tanzanian Food Safety Authority have fought over the right to regulate food by imposing each their own set of measures requiring traders to pay for double testing and certification (World Bank 2005).

Import and export licensing and permits

For various reasons, trade of some products operate under licensing schemes and require the issue of permits even if totally free from tariffs. Often such licensing schemes are justified with reference to public health, animal and plant health issues. World Bank (2011) reports that Zambian import permits on meat, milk, and vegetables cost Shoprite US$ 20,000 per week.

Road blocks

Multiple policy road blocks on popular transit roads for regional trade are a hotly debated issue especially among EAC Partner States. The costs and annoyance caused is illustrated by a transporter operating in Kenya quoted in World Bank (2008): "*Policy check points have become 'police cash-point' as they no longer ser their intended purpose of security but are being used as medium of soliciting money from transit trailer trucks, especially those with foreign registration numbers*" (World Bank 2008, p. 29).

Rules of Origin

To exploit the tariff preferences granted under SADC's Free Trade Agreement, SADC firms must use certificates in origin managed under a highly bureaucratic scheme. World Bank (2011) reports that Shoprite – a South African supermarket chain - spends US$ 6 million per year administering the complex certificates of origin to secure US$ 14 million in duty savings under the SADC Trade Protocol. Woolworth – another large South African supermarket chain – finds the bureaucratic costs of using the Trade Protocol too large and simply does not use preferences at all.

Visa requirements

Cumbersome procedures and excessive visa fees reduce the mobility of African businessmen. For example, the latest status report on EAC NTBs issued by the EAC Secretariat observes several neighbouring states complaint about high charges of Tanzanian business visas (EAC Secretariat 2012).

Import bans

Import bans still occur frequently in both Eastern and Southern Africa. Exporters in the EAC, for example, have complained on Uganda banning the import of beef and beef products from Kenya and on Kenyan banning imports from Uganda of day old chicks (EAC Secretariat 2012). Presumably these bans are justified by reference to food safety and animal health issues, yet import bans may be issued for many other reasons.

Government procurement

In most African economies the government is the single largest buyer of goods and services and in many government owned monopoly firms play an important role. Therefore, discrimination by a government – desiring to buy domestically produced goods even if these are of inferior quality or more costly than imported ones – can be a powerful NTB. Imani Development (2007) speculates that the Black Economic Empowerment criteria that South Africa has used to promote economic diversification may affect government procurement and therefore could constitute an NTB.

Domestic content requirements

A government may restrict imports and promote domestic production – typically in the intention of conducting industrial policy like import substation – by setting requirements for the percentage of a product's raw material that has to be sourced domestically. Tanzania, for example, is reported to require that 75% of the tobacco in cigarettes sold in the country has to be of Tanzanian origin (EAC Secretariat 2012).

Single channel marketing

Historically, many State Trading Enterprises existed in Eastern and Southern Africa although the liberalisation that most of the countries in the region have committed to over the last decades has greatly reduced their numbers. But some still exist and practice single channel marketing. Through this means the government may discriminate between importers by directing purchases. Zimbabwe is an example of a country that continues to procure maize in this fashion (Imani Development 2007).

Corruption

Allegations of corruption weave through most NTB issues. Corruption may turn even well intended policy measures into NTBs and may be practiced by low as well as high level official. The low level official typified by the police officer that demands petty bribes to let trucks through road blocks and the top level by the politician that secures market shares for the family-owned business by keeping foreign competitors out. Especially high level corruption may severely compromise NTB reform efforts. Consider a dairy company using its political connection to protect its home market. Its political protector may impose a wide range of NTBs ranging from road blocks on major transport corridors into the country over influencing the issue of import licensing to elaborating new technical specifications on quality designed to make competing products less attractive. Such political interference cannot be targeted by traditional NTB reform. Traditionally, NTBs are targeted and removed one at a time. But the successful removal of road blocks will only result in increased use of the alternative instruments (misuse of import licensing or technical specifications). The appropriate policy response to high level corruption is governance reform that is even more challenging than removing NTBs.

Trade costs

Infrastructural bottlenecks like the ports of Mombasa and Dar es Salaam are frequent sources of complaints. Costs of infrastructure and many other similar costs of moving a product from A to B are called “trade costs”. In a global review of the literature on trade costs, Anderson and van Wincoop (2004) conclude that trade costs are large – in high income countries trade costs are equivalent to a 170% ad valorem tax. Research cantered on Africa confirms that trade costs are very high in Africa too (Portugal-Perez and Wilson 2008). The observation of high African trade costs has led policy practitioners to conclude that Africa has to “*move beyond simply signing agreements that reduce tariffs to drive a more holistic process to deeper regional integration*” (Brenton and Isik 2012, p. 2).

Trade costs include all transport, border-related, and local distribution costs from the primary producer in the exporting country to the final consumer in the import country – including all costs resulting from the barriers discussed in this section. Naturally, many components of trade costs are influenced heavily by economic policy, but not all. Therefore trade costs are a gray area in the NTB discussion. While some clearly manifest the costs of NTBs, others are simply the costs of producing and trading. This distinction is an important one because the optimal policy response to an NTB is to remove it while that response does not work for the costs of producing and trading. Those costs must be reduced not by government changing the rules but by the private sector itself for example through innovation. Conceptually the distinction between NTBs as policy-induced unjustifiable trade costs and the rest of the big pool of trade costs may be easy to make but not so in practice. It often confuses businessmen and distorts the reporting of NTBs in monitoring schemes used in the EAC and SADC. To businessmen, any cost is a nuisance and they frequently report various costs they deem to be higher than they should be – like high transport costs – as NTBs.

5.4 NTBs in the East African Community

The evidence on NTBs in Eastern Africa consists of surveys (EABC 2004, 2006, 2008, 2011); World Bank 2008; Imani Development 2007) and a series of case studies, quantitative studies and background reports – most of which undertaken to support the implementation of the Customs Union and many of which are developed as part of donor projects. While the EAC Secretariat has been involved in many of the activities, it has not had the technical, financial and human resources to coordinate and lead the analytical work which different actors has done in a uncoordinated fashion often suffering from the conceptual difficulties we discussed in section 5.2.

In 2003, the East African Business Council (EABC) made the first efforts to understand the nature and extend of NTBs in the EAC Customs Union. Responding to the establishment of the EAC Treaty in 2003 and anticipating the signing of the EAC Protocol for the Establishment of the EAC Customs Union in 2004, the EABC set up a working group that recommended actions to monitor and remove NTBs. This work led to the conduct of the Business Climate Survey in 2004. Later, the EABC published a series entitled the “Business Climate Index” studying NTBs and other impedients to the local business climate. In parellel with the efforts of the EABC, the consultancy firm Imani Development undertook a range of NTB surveys in COMESA countries including the

Table 6. Summary of how recent EAC surveys identify and classify NTBs

EABC (2004)	Imani Development (2007)					World Bank (2008)
	Burundi	Kenya	Rwanda	Tanzania	Uganda	
• Customs and administrative documentation procedures • Immigration procedures • Cumbersome inspection requirements • Police road blocks • Varying trade regulations among the three EAC countries • Varying, cumbersome and costly transiting procedures in the three EAC countries • Duplicated functions of agencies involved in verifying quality, quantity and dutiable value of imports and exports • Business registration and licensing	• Border inspection	• Government participation in trade and restrictive practices tolerated by governments • Customs and administrative entry procedures • SPS measures • TBTs • Other distribution related obstacles • Transiting procedures	• Lack of testing equipment at Rwanda Bureau of Standards • Inadequate infrastructure at the border • Government restrictions like a ban on exporting raw hides and skins • Restrictions on international transport by neighbouring countries • Long and costly bank procedures • Customs and administrative entry procedures • Rwandan Rules of Origin • Border crossing delays	• Cumbersome inspection requirements • Varying trade reulgations among EAC Partner States • Varying, cumbersome and cosly transiting procedures • Customs and administrative documentation procedures • Cumbersome inspection requirements • Policy road blocks • Congestion at Dar es Salaam port	• Customs documentation and administrative procedures • Immigration procedures • Customs documentation and administrative procedures • Transiting procedures • Technical barriers to trade	A. Generic NTMs: • Customs and administrative entry and passage procedures • Government participation in trade and restrictive practices tolerated by it • Distribution constraints • Specific limitations (e.g. business visa fees, business registration procedures) B. Product-specific NTMs: • Technical quality standards and SPS measures

five EAC Partner States. These surveys were undertaken under a project called the "Regional Trade Facilitation Programme", funded by the UK's Department for International Development (DFID), and took place between 2004 and 2006. The World Bank also attempted to develop an overview of NTBs in a 2008 study done on request from the EAC Secretariat.

Despite the wealth of recent surveys, our knowledge on the prevalence and severity of East African NTBs remains imperfect. Table 6 presents the surveys' conclusions on the most important categories of NTBs observed in the EAC. EABC (2004) and World Bank (2008) present conclusions for the region as a whole, while Imani Development (2007) lists the major NTBs by Partner State. What emerges from Table 6 is a muddled, inconsistent picture. The studies conclude differently on what are the most severe NTBs. For example, World Bank (2008) emphasizes "Technical quality standards and SPS measures", a category judged of lesser importance in the two other surveys. On the other hand, EABC (2004) finds that "Police road blocks" to be among the biggest NTBs, an issue discussed in the World Bank report but not found to be a big enough issue to appear on the list of the most serious NTBs.

Conceptual and methodological problems disturb the clear picture. While all three surveys identify numerous NTBs – all very context and product specific – they lack the metrics to know whether NTBs are large or small. While advanced quantification methodologies have been developed they fit the need of consultants tasked with the study of multiple countries with few data on a tight budget poorly. In all three surveys, the consultants analyzing NTBs use private sector perceptions as the base for NTB identification. Naturally, businessmen might perceive obstacles differently and may even think differently on what can reasonably be called an NTB. What the consultants might call a legitimate NTM might be labelled an NTB by a local businessman paying the cost of a particular barrier without appreciating that it meets a legitimate regulatory objective. Without quantification the consultants are caught between a rock and a hard place. Comparing the costs of an NTM with its benefits would theoretically allow the consultants to use, for example, Baldwin's definition of an NTB as a barrier reducing global welfare. But in practice the consultants have no choice than to rely on the businessmen's perception potentially adjusted by some common sense reasoning of their own. Unavoidable this approach may rely excessively on anecdotes and be vulnerable to capture by the most vocal actors. So in this setting, that different surveys fail to reach consensus on the severity of NTBs despite covering the same countries at the same time is logical. What emerges clearly from the surveys is that the private sector identifies many NTBs. The surveys are just not always able to tell exactly where these NTBs are and rarely how important they are.

The EAC secretariat together with the EABC used the initial work in EABC (2004) to respond to a specific obligation of the Customs Union Protocol. In Article 13 EAC politicians had agreed to eliminate existing NTBs and abstain from imposing new ones. To implement this commitment, the EAC has created transparency meachanisms in the form of notification systems like National Monitoring Committees and the publication of specific NTBs. The notification system use the Business Climate Survey and NTB inventories later developed by the National Monitoring Committees.

Box 2. EAC Categories for Non-Tariff Barriers

- **Category A:** NTBs with a low political and economic complexity and a low impact on EAC trade. Immediate action required, consensus reached at EAC Council.
- **Category B:** NTBs with a low political and economic complexity and a high impact on EAC trade. Short term (1-6 months) EAC Council consensus but no agreement on implementation.
- **Category C:** NTBs with a high political and economic complexity and a high impact on EAC trade. Medium term (6-12 months) No political consensus at EAC Council.
- **Category D:** NTBs with a high political and economic complexity and a low impact on EAC trade. Long term (>12 months) No political consensus at EAC Council.

Article 13 demands more than notification. It stipulates that the Partner States create a mechanism '*for identifying and monitoring the removal of non-tariff barriers*'. Therefore the EAC adopted a Time-bound Programme for the Elimination of Identified Non-Tariff Barriers in 2009 (EAC Secretariat 2009). The Programme classifies identified NTBs into four categories as witnessed in Box 2. The criteria for the four categories were the political and economic complexities involved in NTB reform and the trade impact of the NTBs. Essentially, the programmes aims at identifying quick wins in NTB reform by targetting the least controversial barriers first thereby building momentum to reform the more difficult NTBs at a later stage. The criteria the EAC used to categorize NTBs are rather opaque but presumably the categorization is based on informal discussions and final categorization reached through consensus-based decision-making.

The transparancy mechanisms have successfully raised the awareness of NTBs and put them higher on the policy-makers' agenda while policy practitioners question the success of the NTB removal mechanism. In an Africa Trade Policy Note published by the World Bank, Kirk (2010) recognizes the considerable efforts the EAC Secretariat has made in identifying NTBs while observing that "[m]*oving from identifying NTBs to their reduction and removal has proven to be more challenging*" and even concludes that the current approach has "*failed to yield significant progress*". Yet, the EAC Secretariat itself declares partial success by emphasising the removal of selected NTBs in regular reports on NTB reform. According to media reports, leading East African politicians, observers and policy-makers frequently concur with Kirk (2010) and call for more effective approaches to NTB removal.

Kirk (2010) argues that even NTBs in category A have proven very difficult to remove. This difficulty is linked to the nature of many common NTBs. These are NTBs that address legitimate objectives, exemplified by food safety, yet are either misused to deliberately hinder trade or simply poorly designed and therefore disturbing trade accidentially. He hypothesizes that Partner States struggle with designing less trade restrictive measures when legitimate objectives are involved. To understand this hypothesis, we consider import bans for animal products (milk, day old chicks, beef and poultry) as a typical example of an EAC NTBs in category A. Legitimate public health measures regulate the trade of animal products in many countries. But many countries apply less restrictive measures than bans to regulate the public health hazards involved. Beef imports into the EU, for example, necessitates EU approval of the relevant parts of the exporting country's human and animal health systems. Rather than facing a ban, the exporting country may seek to upgrade its beef export system to EU standards to gain EU market access. To implement such alternatives to import bans requires high levels of human and technical expertise often absent in East Africa. To make matters worse, most existing alternative measures target high income country problems using their problem-solving capacities while few measures exists that would be easy to deploy in the low and middle income countries of East Africa. Thus in summary many NTBs in category A address legitimate objectives but replacing them requires expertise and alternative measures rarely available.

Kirk (2010) acknowledges that Partner States agree in general to remove obvious protectionist measures yet observes that they fail to agree on how to replace NTBs.The lack of commonly agreed and less trade restrictive measures appropriate for East Africa prevents Partner States from reaching consensus. Complicating the consensus-making process, NTBs addressing legitimate objectives have a high potential for non-transparent and discriminatory application. The lack of expertise, the limited availability of specifications of commonly available alternative measures, and the high potential for misuse of such alternative measures have so far blocked policy reform of the identified NTBs in the EAC.

The EAC Secretariat challenges the view of Kirk (2010). In the publications of regional forums on NTBs and status reports, it maintains that the NTB mechanism has removed many NTBs. The EAC Secretariat convenes yearly regional forums where National Monitoring Committee members and representatives from the EABC, the EAC Secretariat itself and donor agencies meet. The sixth such forum was held in March 2012. Recently the EAC Secretariat began publishing reports on the status of NTB removal. The first status report was issued in August 2011 with the second report published in March 2012 (respectively EAC Secretariat 2011, 2012). The second status report from March 2012 list 26 NTBs reported to have been removed and stated that Partner States have reached decisions to be implemented soon on at least another 12 NTBs. New NTBs however frequently surface and many are left unresolved from previous reports (EAC Secretariat 2012).

Reviewing the accuracy of the reporting of the status of NTBs in EAC Secretariat publications would be a costly and time consuming exercise beyond the Terms of Reference of the present study. However, we do observe that some of the NTBs reported solved by the EAC Secretariat look problematic. For example, delays in the ports of Mombasa and Dar es Salaam – gateways for all Partner States to international markets – have long been regarded as one of the most severe NTB in East Africa. The EAC Secretariat now reports that this NTB has been removed in its most recent status report (EAC Secretariat 2012). The EAC Secretariat states that new documentation processes in the form of National Single Window systems and investment in cargo handling have solved the problem. Yet, in the very same status report, Rwanda is reported to raise a new NTB in the form of congestion in the ports of Mombasa and Dar es Salaam. This new NTB appear to be the same as the one allegedly removed. Noteworthy, the EAC Secretariat is surprisingly optimistic regarding this new NTB. The EAC Secretariat foresees that this new NTB will be removed in June 2012 in the case of Mombasa and December the same year in the case of Dar es Salaam by the port authorities installing new equipment to offload and load goods. The optimism of the EAC Secretariat is remarkable given the decade-long challenge of reforming the operation of East African ports.

As part of the analytical efforts to understand East African NTBs, the surveys have been supplemented by sectoral and issue-focused case studies often funded under donor projects. Such in-depth work is typified by the Regional Agricultural Trade Expansion Programme (RATES). RATES was a USAID-funded project supporting the integration of East African agricultural markets. RATES (2004) analyzed regional dairy trade and found NTBs to be a significant problem. One particular problem observed was that differing national dairy standards required duplicate and costly testing and certification. RATES assumed, and the EAC Secretariat and Partner State ministries agreed, that the harmonization of common EAC standards with international standards would eliminate the need for duplicative testing and certification. Subsequently, as a tool to remove NTBs, RATES supported the development and implementation of new harmonized EAC standards based on international ones.

In a study produced for the World Bank, Jensen and Keyser (2010) challenge this understanding of NTBs in regional dairy trade. They find that the new harmonized dairy standards produced under the RATES project are more likely to present new NTBs than to remove them. The international standards on which new harmonized EAC standards are based have been developed for high income countries with different production capacities and consumption habits. For example, the new EAC standard for raw milk does not take into account that raw milk in East Africa is boiled before consumption and that the imposition of very strict bacteria count limits will effectually ban most milk as the production and trading structure is immature for such demanding requirements. The boiling before consumption habit effectively reduces the food safety hazard to very low levels which the excessive bacterial count limit threatens the viability of the East Africa dairy industry. The new harmonized EAC dairy standards are a mismatch for the local context. Curiously, the new EAC raw milk standard neither serve a legitimate policy objective – because it does not improve food safety – nor facilitate trade – because the low bacterial counts prescribed in the new standard are very difficult and costly to comply with for the East African dairy industry thus making most milk technically illegal.

Despite the difficulties of measuring, ranking, and reforming NTBs met so far, the Partner States continue to seek to accelerate NTB work. Most recently, the EAC has commissioned study funded by the German development aid agency called GIZ to develop a legally binding enforcement mechanism for elimination of NTBs. This study should develop a Draft Bill on a legally binding enforcement mechanism including an arbitration process by May 2012 (EAC Secretariat 2012).

Table 7. Nature and severity of NTBs in SADC Member States

Measure	**SADC Member States**											
	Angola	Botswana	Lesotho	Malawi	Mauritius	Mozambique	Namibia	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe
Import bans	1	3	1	2	2	1	1	1	1	1	2	1
Restrictive charges (not import or export	3	1	1	1	2	3	2	1	1	1	1	1
Import and export quotas	1	2	2	1	2	2	2	3	2	1	1	2
Export licensing	3	2	2	2	3	3	2	1	2	2	2	2
Single channel marketing	4	2	1	2	3	2	2	1	3	2	1	3
Transit charges	3	3	1	2	1	4	2	2	1	3	2	2
Technical regulations	1	2	2	2	2	2	3	3	2	3	2	2
Visa requirements	4	3	3	2	2	3	2	3	2	2	2	2
Import licensing	4	3	2	3	2	3	3	2	2	2	3	3
Customs procedures and documentation	5	2	3	3	1	5	3	2	3	4	3	3

Note: 5: Very serious; 4: Serious; 3: Moderate; 2: Low; 1: Nil.
Source: Charalambides (2010), table 7.

5.5 NTBs in the Southern African Development Community

Two primary sources produce data on NTBs in SADC. One source is the survey produced by the DFID-funded “Regional Trade Facilitation Programme” which surveyed NTBs in COMESA countries 2004 and 2006 – including SADC countries (Imani Development 2007). The survey results were analysed in depth in a background paper to a 2011 World Bank report on regional integration in Southern Africa (World Bank 2011), this background paper is entitled “Addressing NTBs in regional goods trade among Southern African Countries” (Charalambides 2010). The other source is the data reported to an NTB Monitoring System developed with DFID support for online reporting of NTBs in the Tripartite Region covering SADC, COMESA and EAC.

Charalambides (2010) seeks to assess the severity of NTBs in SADC. He ranks the various categories of NTBs observed in the survey described in Imani Development (2007) which we also used before in the discussion of NTBs in East Africa. He uses a simple scale of severity going from 5 to 1 with 5 equalling very serious NTBs and 1 meaning that the measure has no negative impact. This ranking is presented in table 7. His methodology is highly subjective and apparently based on his own common sense reasoning rather than any formal evidence that one measure is more restrictive than the other. While his methodology successfully presents the range of NTBs observed, it fails in identifying clearly which NTBs are the most restrictive. Imani Development (2007) itself does not conclude on the severity of NTBs in SADC but merely lists the various types encountered in the survey.

A study by the World Bank on Southern African regional trade (World Bank 2011) draws on the recently created NTB Monitoring System to identify the areas where firms complain that they encounter NTBs. This evidence is presented in table 8.

Table 8. NTBs identified in complaints to the NTB Monitoring System

Barrier	Examples of products affected	Intra-SADC trade potentially affected (% of total)
Import bans, quotas & levies	Wheat, poultry, flour, meat, maize, UHT milk, sugar	6.1%
Preferences denied	Salt, fishmeal, pasta	0.4%
Import permits & levies	UHT milk, bread, eggs, sugar, cooking oil, maize, oysters	5.4%
Single marketing channels	Wheat, meat, dairy, maize, tea, tobacco	5.3%
Rules of origin	Textiles and clothing, palm oil, soap, cake decorations, curry powder, wheat flour	3.0%
Export taxes	Dried beans, sheep, wood	4.8%

Source: World Bank (2011), table 2.

Evidently, the NTB categories identified in Charalambides (2010) and World Bank (2011) overlap considerable; preferences and rules of origin are the only novelties in the latter study. These measures were not significant when the base survey for Charalambides (2010) was done because the SADC FTA was not yet fully implemented then.

World Bank (2011) ambitiously estimates the aggregate impact of the identified NTBs. This estimate exploits two sources: first a recent global survey of NTB costs (Carrère and De Melo 2009a, b) that calculates an average 40% tariff equivalent of NTBs, and second the firm complaints on SADC NTBs as reported in table 8. World Bank (2011) makes "*the rather weak assumption that the distribution of NTBs in SADC is the same as in the rest of the world (i.e. with a 40 percent ad valorem equivalence)*" and multiplies these 40% with the value of trade potentially affected by NTBs – a figure of US$ 3.3 billion representing the total intra-SADC trade of the products reported in table 8 – to reach a crude estimate of 40% of US$ 3.3 billion or "*around US$1.3 billion per year – equivalent to more than half of the GDP of Lesotho*" (World Bank 2011: 26)".

But what does this estimate represent? World Bank (2011) calls it a "*cost estimate*", however had the calculations involved a tariff and not a tariff equivalent, it would have been clear the US$ 1.3 billion is something else. In that case, 40% times a trade flow of US$ 3.3 billion would yield – not the costs of the tariff – but the tariff revenue of US$ 1.3 billion. To economists, a tariff revenue is a transfer from producers and consumers to the government and not a cost to the economy as a whole. The cost is the deadweight loss caused by disturbing producers' and consumers' incentives. To calculate this cost, World Bank (2011) would need to apply much more advanced methods involving the shapes of supply and demand curves. So, in conclusion, this type of back-of-the-envelope calculations produces a figure that is highly uncertain due to the data problems and close to meaningless due to the flawed methodology.

Keane et al (2010) represents a more advanced attempt to assess quantitative effects of NTBs on intra-regional imports for several SADC countries, including Botswana, Namibia, and South Africa. Results from their analysis show that the presence of one or more NTB for a SADC country severely reduces its imports from other SADC countries but increases its imports from non-SADC countries, suggesting that NTBs indeed reduce intra-regional trade in the SADC region, possibly due to the fact that SADC countries are less able to adjust to these NTBs or these NTBs are imposed on products where intra-SADC trade are concentrated.

Article 6 of the SADC Trade Protocol stipulates that all Member States must adopt and implement policies to eliminate current NTBs on intra-regional trade and abstain from introducing new ones. SADC has also adopted special protocols – which the Member States have not implemented fully – on SPS measures and Technical Barriers to Trade (TBTs) to reduce any negative impacts on trade from standards and similar instruments. The efforts by SADC to identify and remove NTBs run in parallel to efforts at the Tripartite level. The Member States of SADC, EAC and COMESA emphasized NTB removal at the first Tripartite Summit in October 2008. The DFID-funded TradeMark Southern Africa supported the development of a web-based reporting, monitoring and elimination mechanism accessible at www.tradebarriers.org. Member States created National

Monitoring Committees with members from both the public and private sector, to monitor NTBs at the national level and to resolve registered NTB complaints.

The system went on-line in 2009 and after a slow start was increasingly used to report NTBs in 2010 and 2011. TradeMark Southern Africa states in early 2011 that the system is commonly used and succeeds in revolving the majority of NTB complaints although the "*resolution processes are lengthy as communication goes back and forth between focal points, REC* [Regional Economic Community] *NTB units and the reporting stakeholder. The average period it takes to resolve a NTB is three months. However urgent NTBs are resolved somewhat faster than this average*" (TMSA 2011, p. 4).

The USAID-funded Southern Africa Trade Hub-project monitors the implementation of the SADC Trade Protocol. Its 2011 annual monitoring report (SATH 2011) questions the success that TradeMark Southern Africa has observed. By mid 2011, of the 329 NTBs reported in the system, 227 – or 69% – were registered as resolved. SATH (2011) discussed the individual NTBs reported. It concludes that resolved NTBs fall in one of four categories: Some describe outdated or non existing issues. Others cannot be verified because they contain too little information or are highly subjective, including impossible-to-verify language like complaining that costs are "*too high*" or procedures are "*cumbersome*". Others again, are about trade facilitation like ports and custom. Finally, the last category includes reportedly resolved complaints clearly not resolved. For example, a ban on the import of wheat flour into Namibia was registered as solved despite the government had done nothing else than simply acknowledging the receipt of the complaint and the existing of the ban.

The Tripartite's NTB Monitoring Mechanism suffers from the difficulties of distinguishing between NTBs and trade costs. Infrastructure complaints are frequently registered but many may not be NTBs but rather a reflection of the poor state of the regions infrastructure. If SADC had the analytical capability to properly identify NTBs the credibility of the mechanism would be greatly enhanced.

5.6 Summary

Both the EAC and SADC have successfully reduced tariffs and although this policy reform does not seem to influence the trade statistics – at least not yet – it has created a demand for alternative protectionist instruments.

Work to gauge the depth of the NTB problem in the EAC and SADC has primarily relied on surveys and reporting mechanisms in both cases building on the perceptions of the business community. While perceptions may be the best available source of information, they are prone to misunderstandings about NTBs which are often technical in nature and may have effects not easy to detect. Theoretically, better information could be developed using some of the advanced methodologies recently developed by academics to measure NTB impact. But these have rarely found their way into policy work in the EAC and SADC. Such methodologies appear too demanding in data and analytical skills. The EAC and SADC Secretariats and the public administrations in the member countries have little or no analytical capacity to identify NTBs and measure their impact. Even the World Bank has struggled in NTB identification in a recent study on NTBs in the EAC (World Bank 2008).

Our knowledge on NTBs in the EAC and SADC is imperfect. NTBs are likely very numerous and the recent literature has clearly illustrated many examples. But knowledge is lacking on the trend, the impact and on how to set priorities. In this report, the available evidence cannot answer questions like: Are NTBs multiplying and getting more onerous? How much trade and potential income is lost to NTBs? How do we rank the severity of the NTBs observed? To discover this state of knowledge may be surprising to the outsider watching the intense publication activity on NTBs in the EAC and SADC including four recent World Bank reports (Brenton and Isik 2012, World Bank 2008, 2011, 2012). But much of the knowledge presented in World Bank reports and elsewhere refers back to the same basic surveys and NTB reporting mechanisms that we have reviewed in this study. Thus policy work to curtail NTBs must operate without all the answers to questions of NTB trends, severity and priority.

The NTB challenge is particularly large when introducing modern regulation like food safety measures and technical standards. These instruments address legitimate objectives but may be poorly designed or implemented thus harming trade without the intended positive effects. Existing models like the harmonization of standards to reform NTBs may work poorly if not tailor-made to the African context.

6 Opportunities and challenges of a liberalization of services, investment and government procurement proposed under the EAC and SADC EPAs

The EU has negotiated EPAs with six regional configurations of ACP countries since 2003 but has met great resistance from most.[3] One of the contentious issues is the concept of 'comprehensive EPAs'. The EU insists that the EPAs should be comprehensive in the sense that they should cover both merchandise trade and areas like services, government procurement and investment. The reasons put forward by the EU for 'comprehensive' EPAs were to build the new trade relationship on a broader and more solid basis of trade rules and regulations than can be achieved through tariff reductions alone. The EU argues that additional chapters containing regulations for trade and investment would contribute to strengthening the enabling environment for trade and make ACP regions more attractive for investors. Together with fostering regional integration this would contribute to achieving the ultimate objective of development and poverty alleviation. For the EU, the inclusion of service, investment and government procurement hence became one of the cornerstones of the 'development dimension' of EPAs.

In general, the interim EPAs signed by EAC and SADC do not contain specific provisions on service, investment and procurement issues. In fact, the only EPA that spells out detailed text on these issues is the EPA agreed with the Caribbean Forum (CARIFORUM) of 16 Caribbean countries. Therefore, the following discussion tries to draw on whatever general text there is in the interim EPAs and also refers to the relevant CARIFORUM text on these issues for discussion future perspectives in the negotiations of the final EPAs for the EAC and SADC regions.

6.1 Services liberalization

There are many perceived benefits from service liberalization in the context of EPA negotiations. Countries can use service liberalizations to lock in existing levels of openness in service sectors and to further enhance the credibility of service sector reforms and provide signals to foreign investors for attracting investment in service sectors. Since many of the EAC and SADC countries lack the necessary framework for regulations of service sectors, service sector liberalizations can also lead to increased quality and credibility of service sector regulations. In areas of particular importance to the EAC and SADC regions (such as travel and tourism), liberalizations would allow African firms to better compete with their EU counterparts. Including service in the EPA agreement also requires regional cooperation in harmonizing service sector regulations, which in turn can widen and deepen regional integrations in the service sectors (Brenton et al. 2010).

Despite these potential benefits from service liberalization, some concerns have also been expressed with widening the scope of the EPA negotiations from trade liberalization in goods. The main concern is about the competitions from EU service providers in domestic markets in the EAC and SADC countries, as many of the countries in these regions do not have a competitive modern service sector and/or only possess limited capacity in some specific service sectors. In return for

[3] See European Parliament (2011) for the key facts and issues of the EU-ACP EPA negotiations. Bilal and Braun-Munzinger (2008) offers a summary of the contentious issues in the EPA negotiations, as does South Centre (2010).

opening up to service providers from the EU, these countries will not be able to make comparable inroads in the EU service markets, due to their limited capacity. Therefore, it is suspected that any increased service trade liberalization will necessarily benefit EU service providers more than those from the EAC and SADC countries.

In the SADC interim EPA agreement, the negotiations parties commit themselves to stick to their respective rights and obligations under the General Agreement on Trade in Services (GATS) of the WTO. In addition, they agree to negotiate progressive liberalization with substantial sectoral coverage within a period of three years following the conclusion of the full EPA; but not to introduce new and more discriminatory measures to third parties as specified in Article V.1.b (ii) GATS, for all services sectors; and to have a liberalization schedule for one service sector for each participating SADC EPA State by 31 December 2008. Furthermore, the EU agreed to support capacity building aimed at strengthening the regulatory framework of the participating SADC EPA States. Judging from the above text, it is not possible to make a concrete appraisal on the opportunities and challenges of prospective service liberalizations in a final EPA agreement for the SADC region. Assuming that similar clauses of service liberalization to the CARIFORUM EPA are to be achieved eventually in the final SADC-EPA, some observers suggest several avenues through which the SADC countries may benefit from service liberalization, including: enhanced ability to attract investment from the EU by liberalizing core infrastructure services; efficiency and supply capacity gains and improved business environment and consumer welfare gains from increased competitions from foreign service providers; upgrading regulatory capacity which can maximizes the benefits of liberalization; and potential gains associated with better access to the EU market in Mode 4 (independent professionals not linked to commercial presence and semi-skilled and unskilled labour).[4]

6.2 Government procurement

Government procurement is important for the EAC and SADC regions, as it constitutes as much as 10% of GDP and up to 70% of public expenditure in many of these countries (Woolcock 2008). Opening up government procurement in the EAC and SADC regions would introduce them to transparent procurement procedures/rules and actual liberalizations, which in turn would in principle lead to government revenue savings, benefits from foreign competitions, as well as avoidance of corruptions and vested interests. It is generally believed that integrated regional procurement market built upon similarly transparent procurement rules and procedures is more desirable than closed national markets. Therefore, opening up procurement markets across a whole region would enhance regional integration. However, giving these countries' supply constraints and the openness of the EU market, actual opening of procurement market in the EPA agreement would imply larger liberalization by the EAC and SADC regions in their respective EPA negotiations, thus leading to asymmetric market access opportunities to firms from EAC and SADC regions and those from the EU.

[4] See discussions contained in Khumalo (2009), and Sauve and Ward (2009).

It should be noted that past reforms in Africa in government procurement have largely been driven by external forces, such as the need to comply with expectations of donors (see e.g. Evenett 2003). This means that it would be difficult to maintain reform momentum once the pressure from donors is off. Therefore, the EPA negotiations in this area should be mainly aiming at establishing transparent policy framework rules rather than specifying liberalization schedules, which would remedy the incentive issues related to maintaining national reform processes needed for implementing the bilateral obligations contained in the EPA agreement.

Currently, only the CARIFORUM EPA contains provisions on procurement and the actual liberalization schedule is to be further negotiated. In the case of the interim EPAs agreed to by the EAC and the SADC countries, very little has been said on government procurement, with the EAC interim EPA stating the need to include procurement in a final agreement and the SADC interim EPA not even containing similar text.

Specific concerns facing the EAC and SADC countries in adopting relevant CARIFORUM EPA text in the procurement negotiations are related to the reduction of the so-called "policy space" and the compliance costs for adopting transparent framework rules (Dawar and Evenett 2009). The former concerns the reduction of policy scope for some countries to use preferential procurement treatment for implementing development and/or for infant industry strategies, whereas the latter are related to mobilize economic resource in setting up the framework rules and in actually implementing those rules.

Because of these opportunities and challenges, countries in the two regions will be impacted differently by the potential inclusion of government procurement in the final EPAs. For instance, (Woolcock 2008) points out that South Africa will have to consider how framework rules on government procurement influence its ability to apply preferential treatment to promote development and industrial objectives in the longer run, even though there should not be immediate impact on policy space reductions if CARIFORUM type of text is to be adopted. In the case of Uganda, there appears to be major challenges in implementing framework rules and in coping with possible compliance costs. Regarding policy space, even if Uganda wants to deal with the issue of reduction of policy space, the very concept of "policy space" has yet to be clearly defined before remedial actions can be proposed to avoid such an outcome.

6.3 Investment

The inclusion of a comprehensive investment agreement in the EPAs is believed to be able to result in the realization of a host of objectives from the perspective of EAC and SADC countries. For instance, such an investment agreement will achieve greater predictability and transparency for investment to flow from the EU into the recipient regions in Africa. It will offer greater security for investors and their investments (investor protection). It will also establish rules that are supportive of more favourable market access rights and help establish a broad based investment regime that is conducive to the technological development and social transformation in Africa (for example, greater employment).

In the EAC interim EPA, there is no commitment in the framework agreement for the final EPA to contain a chapter on commercial presence; however, there is a requirement set out in Article 37, the Rendezvous Clause, that Parties build on "progress made in the negotiation of a comprehensive EPA text". This provision, which comprises Chapter V of the agreement, sets out areas where the parties will continue negotiations, and includes trade in services and investment and private sector development. Elsewhere in the interim agreement there are also several other references to investment, although there is no mentioning what kind of investment agreement will be negotiated. Likewise in the interim EPA between the SADC EPA countries and the EU initiated on 23 November, 2007, investment is also mentioned but without any specifics. For instance, Article 1 of the interim agreement includes amongst the objectives of the EPA "supporting the conditions for increasing investment and private sector initiative". The agreement also establishes a timetable for future negotiations on investment, but only for a subset of countries within the SADC grouping. Furthermore, Article 67 also commits the Parties to negotiating an Investment Chapter no later than 31 December 2008. It stipulates that negotiations take into account relevant provisions of the SADC Protocol on Finance and Investment and that the EU provide adequate technical assistance to facilitate negotiations and implementation of the Investment Chapter (see Mangeni, 2009).

Due to the lack of specifics on the nature and scope of the envisioned investment chapter in the two interim EPAs, the CARIFORUM EPA negotiations and agreement offer some useful hints on how the EAC and SADC regions might want to manage the perceived opportunities and challenges associated with investment negotiations in their EPA negotiations. The key message from the experience of the CARIFORUM EPA negotiations is centered around securing an agreement on investment rules that would stimulate greater inward investment flows and that would also facilitate a pro-development outcome. The notion of a pro-development outcome has two dimensions (Westcott 2009). On the one hand, the establishment of investment rules should be conducive to investment flows in areas of greatest economic importance to the recipient countries. On the other hand, the investment agreement should allow for the reservation of the most sensitive areas of investment activity so as to ensure the maintenance of an effective policy space for purposes of national development. This latter point would imply that EAC and SADC countries need to follow the example of the CARIFORUM countries in declaring sensitive areas that are to be excluded from a final EPA investment agreement, such as the provision of public services and the provision of utilities.

6.4 Summary

The CARIFORUM EPA offers guidance on how the EAC and SADC regions might want to approach the negotiation of comprehensive EPAs. Both the EAC and SADC have so far been very reluctant to include the issues of services, government procurement and investment in EPAs. Theoretically, gains could be made in services. Key opportunities are improving infrastructure services, upgrading regulatory capacity, improving Mode 4 access, and using increased competition from EU service providers to improve the business climate and increase consumer welfare. The concept of policy space is a central issue in government procurement and investment. On investment, the CARIFORUM countries have succeeded in declaring some as ‘sensitive’ and excluding them from the investment agreement.

7 Do the proposed EPAs support wider and deeper trade integration within the EAC and SADC countries?

7.1 The EAC and SADC

African countries have been mostly negotiating the EPAs with the EU on a regional basis. There have been several arguments suggesting the potential beneficial effects of the EPAs on the various regional integration processes currently taking place in Africa, including those related to the EAC, SADC, COMESA, and the wider Tripartite FTA encompassing the three regions, which is currently under negotiations.[5,6]

First, this region-to-region approach for negotiating and signing the EPAs would help the African countries to rationalize and better configure their existing regional groupings. This is because a given country with multiple memberships in different African FTAs would have to join one particular group to engage in the EPA negotiations. Therefore, individual countries would have to choose the groups that make the most economical sense. By forming the right groups to participate in these negotiations, African participants in the EPA negotiations will be able to better consolidate their regional markets, which naturally would help regional integration. With the conclusions of the EPAs, many African countries would also need to conduct economic reforms as part of their EPA commitments. These reforms in turn would help to remove the obstacles hindering their regional integration processes.

Second, the credibility of regional integration amongst African countries would be greatly improved if this process is tied to their commitments to the EPAs, because in this case the EU would act as an external guarantor not only for the commitments of the EPAs themselves but also for the regional integration commitments that the EPA commitments are conditional upon.

Lastly, the EU has raised some issues in the EPA negotiations that have traditionally been excluded in conventional FTA negotiations, including trade in services, investment, and government procurements. These new issues would require the African countries to engage in wider and deeper economic reforms than what would be required by their own regional integration processes. If the EU succeeds in including these issues in the final EPAs, African countries would need to open up their service, investment and government procurement markets and implement market oriented reforms in these areas, which would then lead to wider and deeper regional integration.

Despite these positive views on the possibility of using the EPAs to support wider and deeper trade integrations within Africa, including the EAC and SADC regions, considerable concerns have also raised on the possibility that the EPAs can also interfere and even damage the on-going regional integration process in Africa. These concerns are outlined as follows.

There are many regional economic communities and subgroups in Africa with varying ambitions in promoting regional economic integration (Dinka and Kennes 2007, and ECDPM 2010). Many

[5] Summaries of these arguments can be found in e.g. Bilal and Braun-Munzinger (2008), Bilal et al. (2011).
[6] For the relevant legal text of the EPAs concerning these regions, see European Commission (2009. 2010a, 2010b).

African countries, including member countries of the SADC and EAC regions, are members of more than one regional group. This phenomenon causes conceptual difficulties in implementations. For instance, when a country holds membership to two regional groups aiming at forming their own customs unions, this country would have to harmonize its external tariffs to the levels of the CETs set by both groups, which can very well be different with different implementation timetable and schedules, thus rendering the implementation for that country theoretically impossible. Naturally, exceptions and exemptions would have to be granted for this country from one or both groups, thereby making the implementation of the regional integration process difficult and complicated. In addition, multiple memberships in different groups also raise serious complexities in designing functioning rules of origins. Finally, when different groups advance their own regional integration processes at different stages and speeds and with different scopes, it would also create difficulties for a member country to chart the right course in committing to domestic reforms to satisfy these different demands.

In the presence of complicated processes of regional integrations in Africa, it can be safely said that the EPA negotiations at least add further complexities for African countries to manage and advance their own regional integration. In fact, it can even be argued that some of the existing difficulties in African regional integration may be magnified rather than minimized by the EPA negotiations, as has been suggested by some observers (see for example Lui and Bilal 2009, South Centre 2010, Walker 2009).

First, there have been some imperfect matches between EPA negotiation groupings and existing regional economic communities. This is both a reflection of African countries' need to rationalize their grouping in responding to the opportunities and threats of the EPA negotiations and an indication that some of these countries may trade its commitments to certain regional groupings for self-interests in the EPA negotiations.

Second, even within the same EPA negotiation group, it is possible that there exist different liberalization schedules and/or exclusion baskets and even nomenclatures. This may create new barriers for intra-regional trade in the same group. For instance, these differences may trigger differential rather than common external tariffs, which would further require new border controls and different rules of origin within the same group.

Third, some specific clauses insisted by the EU in these negotiations may pre-empt actions aiming at fostering deeper regional integration and limit African countries' ability to engaging in preferential trade liberalization with countries outside of the continent. For instance, the "standstill" clause prohibits any renegotiations with the EU when members of an EPA group need to change their external tariffs in order to establish a CET after an EPA agreement is reached. In the case of the Most-Favoured-Nation (MFN) clause, the possibility for African countries to conduct trade talks with other partners will also be limited as the EU would require any more favourable treatment offered by African countries to other partners to be automatically extended to the EU. *Last* but not the least, the different designations of African countries as Least-Developed countries (LDCs) and non-LDCs create different incentives for countries in the same negotiation groups to participate in the EPA negotiations. For LDC members of an EPA group, the fall-back scenario for not signing the EPA is the Everything But Arms agreement (EBA) which guarantees them duty and quota-free access to the EU markets. For most non-LDC members, the alternative to the EPA is the less favourable Generalized System of Preferences (GSP) schemes for accessing the EU market. In the case of South Africa, the bilateral Trade and Development Cooperation Agreement (TDCA) would apply in the absence of the EPA. Because of these differences in access to alternative arrangements, the LDC members would have fewer incentives as compared to the non-LDC members in signing an EPA, thus creating potential issues in regional cooperation between LDC and non-LDC members of an EPA group, and in the case of SADC/SACU, between South Africa and other SADC/SACU members.

More specifically for the EAC, in addition to memberships in the EAC EPA group, Burundi, Rwanda, Uganda and Kenya also belong to the COMESA (see Appendix A - Table 10). Indeed, these four countries initially participated in the COMESA-EU EPA negotiations but have since mid-2007 left the COMESA group and instead joined Tanzania (which is also part of the SADC) to negotiate the EPA under the EAC grouping. An interim EPA between the EAC and the EU was reached in 2007 but a final EPA has not yet been agreed upon. The complexity in the EPA negotiations in connection to the divide between LDC and non-LDC countries is also relevant in the EAC case. Among the five EAC member countries, Kenya is the only non-LDC country and thus has quite different incentives in reaching a final EPA as its alternative to the EAC is the GSP scheme, whereas in the case of the other EAC countries, their designation as LDCs would guarantee duty and quota free access to the EU market according to the EBA. Therefore, the process towards a final EPA is likely strongly driven by Kenya and by the other member countries' desire to maintain good regional cooperation with Kenya. However, it would not be surprising if the LDC members of the EAC proceed with the negotiations of the final EPA by comparing the likely costs associated with agreeing to a final EPA (in terms of liberalization their own trade barriers limiting imports from the EU) against likely gains from further regional integration with Kenya.

As compared to the EAC, countries in the SADC region are more diversified in terms of their regional integration grouping, levels of economic development, and their respective trade relations with the EU. As shown in Table 11 in Appendix A, the fifteen countries in the SADC region mainly negotiated with the EU in two EPA groups, namely the Eastern and Southern Africa (ESA) group which includes Madagascar, Malawi, Mauritius, Zambia, Zimbabwe, and Seychelles, and the SADC group consisting of Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, and South Africa. In addition, DRC joins the Central African EPA known by its French acronym CEMAC (Communauté Économique et Monétaire des Etats de l'Afrique Centrale) and Tanzania is a member of the EAC EPA group. Most SADC countries in the ESA-EPA group agreed to an interim EPA and signed the agreement in 2009 but negotiations for a comprehensive EPA are ongoing. In the SADC-EPA, Botswana, Lesotho, Mozambique, and Swaziland agreed to an interim EPA in 2007 and signed the agreement in 2009. Namibia agreed to the interim EPA but has not yet signed. South Africa and Angola did not agree to the interim agreement but have joined the rest of the group in negotiating a comprehensive EPA. In addition to being divided into four different negotiation groups, the SADC countries also differ in their existing trade arrangements with the EU.

Eight SADC countries are designated as LDCs and thus have the access to the EBA, whereas six other SADC countries are not LDCs and therefore had to rely on the GSP scheme for exporting to the EU. In the case of South Africa, a bilateral agreement named TDCS would apply in the absence of an EPA. These complicated regional integration processes as well as the further differentiations due to the EPA negotiations have likely created tremendous difficulties for these countries to simultaneously sort out the best regional integration roadmap and the most beneficial EPA grouping strategy.

Take SADC-EPA group, the main EPA group in the SADC region as an example. Botswana, Lesotho, Namibia and Swaziland have been members of SACU together with South Africa for a long time, with a well-established custom revenue sharing mechanism that provides much of the government revenues for Botswana, Lesotho, Namibia and Swaziland. They have signed the interim EPA but South Africa, the dominant member of the custom union, has not reached an interim agreement, even though it agreed to participate in the negotiation of a comprehensive EPA. This situation poses potential challenges that may jeopardize the SACU as a custom union and the associated revenue sharing mechanism Botswana, Lesotho, Namibia and Swaziland have with South Africa. A viable alternative, as suggested by some observers, would be for the SADC-EPA group to align the EPA agreement with South Africa's bilateral TDCAs. However, such a move might prove to be difficult for the LDC members of the group (Angola, Lesotho, and Mozambique). In the existing interim SADC-EPA (signed by Botswana, Lesotho, Swaziland and Mozambique and agreed but not signed by Namibia), problems also exist. Botswana, Lesotho, Namibia and Swaziland as members of the SACU, naturally agreed to one common set of liberalization schedule so as to preserve the integrity of the SACU CET; however, Mozambique agreed to another set of liberalization schedule with different implementation period. Lists of products excluded from these liberalization schedules also differ among the member countries. Finally, South Africa's bilateral agreement with the EU contains a different set of liberalization schedule, which must be harmonized with those of the rest of the SADC-EPA group for the final comprehensive EPA to be possible and for the SACU to remain a viable customs union.

Aside from the above principal difficulties for the EPA negotiations to coexist with regional integration processes in the SADC-EPA group, some technical challenges are also triggered by the EPA negotiations, including but not limited to: the MFN clause regarding future trade talks with countries outside of Africa; issues with rules of origin and cumulations; and issues beyond merchandise trade such as service trade and investment. The MFN clause is particularly a problem for South Africa as it has more diversified trade relations with non-EU countries and is more likely to engage in bilateral discussions with other major trading nations. Therefore, the EU's insistence of enjoying the MFN treatment would severely restrict South Africa's ability to engage in potential future trade talks. Rules of origin and cumulations can also become much more complicated in the SADC-EPA countries when multiple trade regimes (i.e. SACU, the SADC FTA, the bilateral TDCA involving South Africa and the EU, as well as the prospective comprehensive EPA) have to co-exist. Regarding service and investment issues, South Africa has potentially different interests from the rest of the group as it is the dominant service and investment provider in the group and might resist discussions with the EU to avoid weakening its position.

7.2 The Tripartite

The Tripartite region of COMESA-EAC-SADC have currently been negotiating the Tripartite Free Trade Area since June 12, 2012, aiming at reducing and eventually eliminating tariffs in goods originated and traded in the region. There are 26 members in the tripartite region, with 19 member countries belonging to the COMESA, 15 in the SADC and 5 in the EAC region. Of the 19 COMESA members, four of them are also members of the EAC and the EAC-EPA groups (i.e. Burundi, Rwanda, Uganda, and Kenya), while another eight have membership in the SADC (i.e. DRC[7], Seychelles, Madagascar, Malawi, Mauritius, Swaziland, Zambia, and Zimbabwe). Therefore, there are only seven COMESA countries that are not members of either the EAC or the SADC region, including Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Libya, and Sudan. Five of the seven non-EAC and non-SADC members of the COMESA region (Comoros, Djibouti, Eritrea, Ethiopia and Sudan) have joined the ESA-EPA negotiation group, whose other member countries – Malawi, Zambia, Zimbabwe, Madagascar, Mauritius, and Seychelles – belong to both the SADC and COMESA regions. The remaining countries of the COMESA region (Egypt and Libya) are not affiliated with either EAC or SADC, nor do they participate in any EPA negotiations[8].

The cross-cutting memberships in the three regions by the 26 countries suggest that the COMESA-EAC-SADC tripartite initiative is a logical step towards wider economic integrations in the African continent, as this would consolidate the existing regional integration initiatives already in place. It would further provide the platform for creating a continent-wide free trade area as the tripartite region already covers more than half of the economic activities on the continent. Indeed, in the recent Communique of the Second COMESA-EAC-SADC Tripartite Summit, it is stated that “the establishment of a Tripartite Free Trade Area will bolster intra-regional trade by creating a wider market, increase investment flows, enhance competitiveness and develop cross-regional infrastructure”[9].

The process towards achieving this goal will likely be quite challenging, not only with regard to harmonizing the uneven integration processes and cross-cutting memberships in the three regions, but also with respect to potential issues arising from the different EPA negotiation processes these regions are currently undertaking with the EU. The three regions are at different stages of regional integration. The EAC region has implemented a custom union and is working towards forming a common market and creating a monetary union. The COMESA and SADC regions are functional FTAs but within the SADC region there exists a long standing custom union (i.e. SACU). Clearly, a wider tripartite FTA would have to manage the removal of intra-Tripartite tariffs and the need to preserve the existing deeper integration processes. This will likely create some technical challenges and the phenomenon of cross-cutting memberships in existing regional blocs will only add further complexities to these challenges.

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[7] However, DRC joined the CEMAC group for the EPA negotiations.

[8] Egypt signed a EUROMED Association Agreement with the US in 2001, which entered into force in June 2004. Negotiations between Libya and the EU on a Framework Agreement have started in November 2008.

[9]The Communique is available from http://www.trademarksa.org/sites/default/files/publications/Communique%20of%20the%202nd%20Tripartite%20Summit%20-%20English%20-%2012.06.2011_1.pdf

The various trade cooperation/negotiations these countries have had with the EU likely have exerted further stress to the tripartite process. In fact, the 26 member countries participating in the tripartite process are members of several different negotiation/signatory parties of various EU initiatives, ranging from the bilateral agreements for several individual countries (Egypt, Libya, and South Africa) to the region-to-region EPA negotiations involving the EAC-EPA group, the SADC-EPA group, the ESA-EPA group, and the CEMAC-EPA group. While these EPA negotiations follow the same basic format, the outcomes from concluded interim agreements vary from one EPA group to another and even from one member to another within the same EPA group in terms of liberalization schedules and exclusion baskets. In the absence of harmonization across the agreements for different EPA groups and countries, it is possible that the EPA agreements may create further obstacles for the tripartite process, as individual EPA agreements may contain elements that either prevent the tripartite countries to modify their external trade policies for purposes of creating the tripartite FTA or complicate the design and implementation of the tripartite FTA. In addition, the individual blocs with the larger tripartite region will still have to deal with the complications brought about by the individual EPA negotiations, as discussed earlier in this section.

7.3 Summary

The EPA negotiations have added further complexities to the already difficult process of achieving regional integration within the EAC and SADC. Not surprisingly, the level of complexity increases when considering the Tripartite. Some aspects of EPAs may magnify the existing difficulties while others may increase the value of the EAC Customs Union and SADC's FTA. On the downside, there are imperfect matches between EPA negotiation groupings and the EAC and SADC and even within the same grouping different liberalization schedules and lists of excluded products may exist. The lack of coherence between the EPA negotiation groupings may create difficulties for agreeing and maintaining common external tariffs and developing aspects of deeper integration. Furthermore, the standstill clause may limit the EAC's and SADC's ability to negotiate preferential trade with other countries. On the upside, the EAC and SADC could use EPAs to signal credibility of their regional liberalization processes as tariff cuts and other policy reform would then be part of a greater package of policy changes including relationships with the EU. Simultaneously, the EAC and SADC could use EPAs as an entry point to include areas of deep integration like government procurement and investment which their regional integration efforts have not included so far.

8 Conclusions and policy recommendations

8.1 Conclusions

This report presents and discusses the recent literature and the empirical data on regional integration in the EAC and SADC. We have looked at the current situation on the ground: how far the EAC and SADC have gone in implementing their very ambitious plans for economic integration – starting with cutting tariffs and going even beyond monetary union – and with whom the two regional blocs are trading today and with whom they will likely trade tomorrow. The report emphasized the recent literature on EAC and SADC NTBs. Many see NTBs as the biggest stumbling block to further integration and we present and assess the available evidence of these measures. Importantly, we have also looked at how the process of regional economic integration interacts with EPAs, the 'elephant in the room' when discussing regional integration in Africa.

We find that the implementation of tariff reductions have been an impressive success. While especially SADC experienced some difficulties of sticking to reduction schedules initially and while other regional economic communities outside Africa have gone further than the EAC and SADC, from a historical point of view the reduction of tariffs in the two regions to near zero for nearly all merchandise trade is unprecedented in Africa and would have been unimaginable just a couple of decades ago. The EAC has by now implemented a Customs Union operating nearly without internal tariffs and with a CET that lowered external tariffs for most Partner States. SADC has implemented an FTA with more exceptions and time limited derogations than the EAC Customs Union, yet the FTA reduces average internal tariffs to near zero. The big question in SADC is whether traders are capable of taking advantage of the tariff reduction. The rules of origin necessary to operate an FTA are heavily criticized for being too cumbersome and most traders likely prefer alternate trading schemes in the form of COMESA and SACU if they are eligible.

Unfortunately, this policy success has so far not translated into a commercial success for the Eastern and Southern African traders. We analyze trade data for 2000 to 2010 to detect recent changes in trade flows and find that the EAC countries trade a bit more with each other by 2010 than they did a decade earlier while the SADC FTA has not affected internal SADC trade flows significantly. But other important changes in the trading picture of the two regions have taken place over the last decade. China is rising rapidly as a major new export market and as a source of the EAC's and SADC's imports. The EU is losing ground as both an exporter and an importer. In the EAC, the share of exports to China increased from 0.2% to 6.4% of total exports, while the share of exports to the EU was nearly halved. The pattern was the same on the import side. Interestingly, the BRICs as a group surpassed the EU as the EAC's biggest source of imports. In SADC, the share of exports to China increased from 1.2% to 11.0% while the share of EU-bound exports fell from 38.1% to 27.1%. On the import side, China grew four times more important as a source for imports over the period measured by the share of imports. The EU's share of total imports fell from roughly a third to a quarter. Despite the rapid rise of China, followed by other emerging economics, the EU remains the most important trading partner of the EAC and SADC, but this may change within the next decade if the current trend continues.

The interaction between the development of economic integration in the EAC and SADC and the negotiations of EPAs with the EU is worrying. Observers argue that the EAC and SADC would benefit from tying their commitments to reduce tariffs and other barriers to a larger agreement. The argument is that non-compliance with EAC and SADC commitments would become politically more costly when such non-compliance would also breach an EPA with the larger partner, the EU. Yet, while such opportunities to derive real benefits from EPAs exist, the EPAs also complicate the already difficult challenge of developing the cooperation in the EAC and SADC and later in the form of the Tripartite.

The bicycle theory of trade recommends that NTBs are taken very seriously. Available literature and on-going policy work clearly demonstrate that NTBs are taken seriously by EAC and SADC policy-makers and remains a serious issue for traders. But despite acknowledged importance of the issue, the success of establishing the EAC Customs Union and the SADC FTA and removing tariffs has not been accompanied by the successful removal of many NTBs. Available surveys and reporting mechanisms reveal that NTBs continue to be plentiful.

The information generated by surveys, reporting mechanism and other sources also demonstrate a surprising lack of knowledge about EAC and SADC NTBs. Multilateral institutions, governments, donor projects and academics have written on NTBs in the EAC and SADC recently, yet we don't know whether NTBs are getting more or less severe, what their impacts are on specific industries or in aggregate, or how to prioritize which ones to remove first. The available evidence mainly documents that NTBs exist in many disguises and provide good reasons to believe they will proliferate now when tariffs have been removed.

8.2 Policy recommendations

Often policy makers do not know how to replace existing NTBs with better policy measures that are less restrictive to trade. Kirk (2010) argues that governments struggle with designing less trade restrictive measures when legitimate objectives are involved. Many NTBs origin from policy measures that address legitimate objectives. Some examples are food safety measures, technical standards, immigration regulation and customs administration. These policy measures may be misused to disturb trade deliberately or simply poorly used due to lack of experience of dealing with them thereby accidentiallybecoming NTBs. Jensen and Keyser (2010) demonstrates that this issue is real – they argue that recently harmonized EAC dairy standards are more likely to harm trade than protect the legitimate objective of food safety for which they were created.

The approach currently used by the EAC and SADC to remove NTBs is an identification approach. In this approach, reporting mechanisms identify NTBs and forward the information generated to national administrations who are then supposed to reform them. While this approach increases transparency, it does not address the problems faced by national administrations in designing less trade restrictive measures. Yet, the identification approach has intuitive appeal: it promises to find the biggest NTBs and get rid of them first following the underlying logic that reducing the biggest obstacles will yield the largest returns. However, deep analytical difficulties complicate the identification and measurement of NTBs. NTBs is a residual category consisting of a broad array of measures sharing only one key characteristic; that they impact trade. Comparing very different measures is notoriously difficult and requires deep and technical knowledge often beyond officials of the EAC and SADC Secretariat and of the national administrations. Consider, for example, two NTBs, one is a maximum limit of bacterial count in dairy products and another is time delays due to lengthy customs procedures. Both NTBs may be costly but the exact determination of the costliest NTBs require technical knowledge about dairy technology, knowledge about acceptable food safety protection levels, and knowledge about feasible custom reform alternatives.

The identification approach, typified by NTB reporting mechanisms, suffers from two weaknesses both linked to analytical difficulties. First, Monitoring Mechanisms and the NTB reporting firms lack analytical capacity. Many complaints are too vague to address. Often firms simply report the products experiencing problems due to some unspecified technical trade barrier. Neither the firm nor the Monitoring Mechanism has the analytical capacity to identify the binding constraint. The system is therefore vulnerable to subjective complaints and biased responses. Second, the demand for analytical capacities is heightened from the global trend to introduce complex regulation essentially targeting domestic issues yet with large trade implications. Food safety laws are such an example. Firms may perceive legitimate measures like food safety regulations as NTBs because the regulations constrain their market access, but the firms fail to see that the regulations serve a legitimate purpose of consumer protection. Similarly, responsible agencies may argue for the maintenance of existing NTBs using otherwise legitimate arguments such as food safety regulation as an excuse. In either case, the Monitoring Mechanism is poorly equipped to assess a dispute. Therefore, the Monitoring Mechanism is limited to simply reiterating the statements of both firms and authorities involved. The NTB reporting mechanisms of the EAC and SADC serve the highly useful purpose of increasing transparency could be supplemented by an alternative approach: the issue-based approach.

The issue-based approach addresses the problem of designing less trade restrictive measures. This approach develops models of regulating selected issues where legitimate objectives and trade concerns are known to collide and result in NTBs. It focuses on developing knowledge and collecting best practice in key issues universally agreed to be subject to important NTBs. Customs modernization is an example of a successful application of the issue-focused approach. Previously, custom management was focused on maximizing revenue collection, but modern custom administration has introduced the minimization of transaction time as an equally important objective of customs management. Targeted work developing new and more efficient modes of customs management developed by international agencies like the World Bank and the dedicated organization for customs, the World Customs Organization, has successfully reduced transaction time in many developing countries. This success has been greatly influenced by the development of better models of customs management and the collection of best practices at the project level by the international agencies and organizations (McLinden et al. 2010).

The issue-focused approach brings together technical knowledge, policy practitioners and policy analysis. Technical people with long experiences and deep insight into the issue under study are coupled with analytical capacity to investigate the wider implications of policy initiatives. In the case of customs reform, in-country policy practitioners work with international agencies with the capacity to collect cross-country experiences and analyze these with a view to extracting international best practice.

Other trade agencies lack behind customs. The WTO SPS Agreement and the Agreement on Technical Barriers to Trade (TBT Agreement), for example, encourage the use of trade facilitation instruments to reduce NTBs, namely harmonisation with international standards, mutual recognition and equivalence. However, neither the responsible international agencies nor developing country trade agencies have developed successful models of how to apply these trade facilitation instruments in developing countries.

Increased demand for regulation produces new sources for NTBs in developing countries. Such issues include food safety, plant health, animal health, quality and safety issues expressed through technical standards, and immigration. The regulation of these issues presents large problems for trade analysts as regulations may serve both legitimate protection purposes and illegitimate purposes of protectionism. Using the identification approach to reduce NTBs resulting from the regulation of such issues suffer from high demands for specialized technical knowledge and the lack of commonly acknowledged models of how to create regulatory systems that meet legitimate regulatory objectives in a less trade restrictive manner.

International agencies, organizations and donors could develop an issue-focused approach to reducing NTBs for such issues. These actors have the capacity and the experience across many developing countries to work with developing country governments and firms to enhance the understanding of trade facilitation aspects of emerging regulatory issues and collect best practice experiences of what works and what does not.

To operationalise the issue-focused approach, donors, international agencies and developing country governments should develop:

- An applied research program on regulation and trade facilitation in developing countries within areas agreed to give rise to NTBs focused on collecting best practice lessons;
- Establish a global task force of representatives of governments, international organizations and the private sector involved in trade-related management in the areas under scrutiny. The task force should use the inputs from the research program to develop regulatory models appropriate for developing countries;
- Implement pilot projects to test emerging recommendations and regulatory models.

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Appendix A: Data

Table 1a. EAC's export and imports to/from major trading partners (US$1,000)

Year	EAC	China	OBRIC	EU	USA	North Africa	South Africa	Other SSA	World
Exports									
2000	500,519	5,021	122,511	1,016,604	60,066	100,321	48,372	179,611	2,672,472
2001	476,277	4,173	114,452	1,152,790	65,298	107,231	43,963	207,159	2,962,415
2002	631,620	5,162	106,172	1,074,517	44,082	40,990	69,066	260,007	2,849,783
2003	975,052	12,896	126,967	1,537,935	65,918	91,146	84,577	369,395	4,331,857
2004	1,187,956	87,195	178,606	1,635,546	79,666	99,486	154,204	407,830	4,992,128
2005	1,333,910	123,617	157,406	1,617,421	265,742	142,995	334,871	735,651	6,167,336
2006	1,157,922	180,422	146,033	1,667,114	333,273	161,941	319,259	919,668	6,697,797
2007	1,557,888	193,986	219,907	1,915,901	378,263	194,161	256,800	1,205,056	7,895,788
2008	2,016,693	320,603	362,738	2,405,991	378,029	249,294	345,442	1,699,494	10,238,277
2009	1,980,310	444,643	336,465	2,081,704	316,348	186,522	262,851	1,410,525	9,387,054
2010	2,362,808	728,449	415,835	2,241,250	362,898	249,521	478,337	1,712,234	11,351,623
Imports									
2000	451,008	200,944	337,559	1,507,570	217,326	29,517	445,099	89,231	5,581,942
2001	467,363	214,689	392,383	1,833,521	640,167	56,774	543,344	157,068	7,159,585
2002	513,319	213,466	397,683	1,722,970	349,010	48,140	521,080	133,113	6,221,239
2003	626,628	286,126	541,904	1,548,073	400,140	81,948	690,041	139,729	7,420,769
2004	711,805	459,360	687,878	2,097,962	398,394	123,137	938,664	170,256	9,322,987
2005	948,028	665,051	818,040	2,441,481	765,736	130,013	1,138,859	214,579	11,817,028
2006	930,195	898,154	1,210,084	3,151,079	583,930	210,358	1,222,955	336,751	15,238,512
2007	1,098,439	1,435,105	2,055,094	3,833,646	985,394	282,573	1,362,883	312,125	19,503,762
2008	1,584,276	2,141,926	3,075,994	4,547,013	783,823	315,763	1,862,093	436,683	25,092,212
2009	1,430,288	2,160,737	2,784,209	4,276,954	929,748	224,071	1,886,890	331,154	22,437,006
2010	1,300,828	2,913,806	3,361,631	4,357,056	769,861	375,322	1,789,960	443,135	25,602,681

Source: compilations based on the COMTRADE database of the UN.

Table 1b. Shares of EAC's export and imports to/from major trading partners (%)

Year	EAC	China	OBRIC	EU	USA	North Africa	South Africa	Other SSA	World
Exports									
2000	18.7	0.2	4.6	38.0	2.2	3.8	1.8	6.7	100.0
2001	16.1	0.1	3.9	38.9	2.2	3.6	1.5	7.0	100.0
2002	22.2	0.2	3.7	37.7	1.5	1.4	2.4	9.1	100.0
2003	22.5	0.3	2.9	35.5	1.5	2.1	2.0	8.5	100.0
2004	23.8	1.7	3.6	32.8	1.6	2.0	3.1	8.2	100.0
2005	21.6	2.0	2.6	26.2	4.3	2.3	5.4	11.9	100.0
2006	17.3	2.7	2.2	24.9	5.0	2.4	4.8	13.7	100.0
2007	19.7	2.5	2.8	24.3	4.8	2.5	3.3	15.3	100.0
2008	19.7	3.1	3.5	23.5	3.7	2.4	3.4	16.6	100.0
2009	21.1	4.7	3.6	22.2	3.4	2.0	2.8	15.0	100.0
2010	20.8	6.4	3.7	19.7	3.2	2.2	4.2	15.1	100.0
Imports									
2000	8.1	3.6	6.0	27.0	3.9	0.5	8.0	1.6	100.0
2001	6.5	3.0	5.5	25.6	8.9	0.8	7.6	2.2	100.0
2002	8.3	3.4	6.4	27.7	5.6	0.8	8.4	2.1	100.0
2003	8.4	3.9	7.3	20.9	5.4	1.1	9.3	1.9	100.0
2004	7.6	4.9	7.4	22.5	4.3	1.3	10.1	1.8	100.0
2005	8.0	5.6	6.9	20.7	6.5	1.1	9.6	1.8	100.0
2006	6.1	5.9	7.9	20.7	3.8	1.4	8.0	2.2	100.0
2007	5.6	7.4	10.5	19.7	5.1	1.4	7.0	1.6	100.0
2008	6.3	8.5	12.3	18.1	3.1	1.3	7.4	1.7	100.0
2009	6.4	9.6	12.4	19.1	4.1	1.0	8.4	1.5	100.0
2010	5.1	11.4	13.1	17.0	3.0	1.5	7.0	1.7	100.0

Source: compilations based on the COMTRADE database of the UN.

Table 2. Shares of Top 5 HS6 export products for selected EAC countries in 2000 and 2010 (%)

CommodityCode	2000	CommodityCode	2010
Burundi			
Raw sugar, cane	51.0	Tea, black (fermented or partly) in packages > 3 kg	44.6
Coffee, not roasted, not decaffeinated	34.6	Bovine skins, whole, raw	10.9
Tea, black (fermented or partly) in packages > 3 kg	8.9	Waste or scrap, of alloy steel, other than stainless	7.6
Cigarettes containing tobacco	1.9	Cigarettes containing tobacco	5.2
Automobiles, spark ignition engine of 1500-3000 cc	1.2	Soaps, for toilet use, solid	4.6
Cum. Share	97.6		73.0
Kenya			
Portland cement, other than white cement	9.7	Medicaments nes, in dosage	8.0
Petroleum spirit except aviation or motor fuel	9.6	Palm oil or fractions simply refined	6.2
Kerosene jet fuel	3.3	Oils petroleum, bituminous, distillates, except crude	3.5
Gas oils - bunker oil, No.1 furnace, motor diesel	3.1	Salt (sodium chloride) including solution, salt water	2.9
Sacks & bags (including cones) of polymers of ethylen	2.5	Portland cement, other than white cement	2.1
Cum. Share	28.2		22.7
Tanzania			
Tea, black (fermented or partly) in packages > 3 kg	31.7	Ammonium sulphate-nitrate mix, double salts, pack>10k	10.5
Parts of electrical transformers and inductors	4.8	Textile furnishing articles nes, knit or crochet	6.8
Cotton, carded or combed	3.9	Diammonium phosphate, in packs >10 kg	6.5
Wheat or meslin flour	3.8	Natural gas, liquefied	3.4
Glass containers nes for packing or conveyance goods	3.8	Tea, black (fermented or partly) in packages > 3 kg	3.3
Cum. Share	48.1		30.4
Uganda			
Electrical energy	27.8	Tobacco, unmanufactured, stemmed or stripped	9.5
Cotton-seed or fractions simply refined	23.5	Portland cement, other than white cement	8.5
Tea, black (fermented or partly) in packages > 3 kg	18.3	Tea, black (fermented or partly) in packages < 3 kg	6.4
Tea, black (fermented or partly) in packages < 3 kg	1.9	Tea, black (fermented or partly) in packages > 3 kg	4.9
Beans dried, shelled, nes	1.6	Veg fats, oils or fractions hydrogenated, esterified	4.0
Cum. Share	73.2		33.3

Source: compilations based on the COMTRADE database of the UN.

Table 3. Service exports from EAC countries (million US$)

	Burundi	**Kenya**	**Rwanda**	**Tanzania**	**Uganda**
2000	4.0		40.6	627.4	208.0
2001	5.2		48.2	915.4	217.0
2002	7.5		46.1	920.1	225.0
2003	7.3		76.5	947.8	262.0
2004	17.4		102.7	1,133.6	373.0
2005	37.6	1,879.1	119.7	1,269.2	525.0
2006	35.5	2,428.6	201.7	1,528.1	526.0
2007	33.3	2,931.2	240.6	1,875.7	594.6
2008	98.8	3,260.2	408.2	1,998.8	802.4
2009	61.4	2,885.4	341.1	1,854.6	966.3
2010		3,671.3	310.4		1,210.7

Source: UN Service database.

Table 4. EAC's inward FDI flows (million US$)

	Burundi	Kenya	Rwanda	Uganda	Tanzania	EAC
2000	11.7	110.9	8.1	180.8	282.0	593.5
2001	-0.0	5.3	18.5	151.5	467.2	642.5
2002	0.0	27.6	1.5	184.6	387.6	601.4
2003	-0.0	81.7	2.6	202.2	308.2	594.7
2004	0.0	46.1	10.9	295.4	330.6	683.0
2005	0.6	21.2	14.3	379.8	494.1	910.0
2006	0.0	50.7	30.6	644.3	597.0	1,322.6
2007	0.5	729.1	82.3	792.3	647.0	2,251.1
2008	13.6	95.6	103.4	728.9	679.3	1,620.7
2009	9.9	140.5	118.7	815.9	645.0	1,730.0
2010	14.1	133.0	42.3	847.6	700.0	1,737.0

Source: UNCTAD FDI database.

Table 5a. SADC's export and imports to major trading partners (US$1,000)

period	South Africa	SADC	China	EU	USA	SACU	Other SSA	World
Exports								
2000	1,717,883	5,883,520	445,653	14,639,867	3,333,034	1,825,843	890,965	38,376,159
2001	1,707,570	5,368,831	663,053	16,106,128	4,445,140	1,748,329	1,144,951	37,790,896
2002	1,796,845	6,259,098	562,781	15,477,107	3,391,954	1,912,602	1,647,946	36,558,786
2003	1,849,481	6,764,133	935,557	18,141,720	5,164,011	1,904,999	1,533,697	45,648,423
2004	3,419,948	9,278,523	1,447,926	23,173,580	6,480,019	3,535,828	1,935,933	59,525,969
2005	3,249,059	9,839,272	1,702,160	25,759,048	5,856,905	3,404,370	2,167,473	65,638,767
2006	3,930,562	14,516,527	2,687,758	28,263,579	6,878,452	4,368,619	2,609,645	80,777,910
2007	5,207,404	14,593,170	4,882,889	30,718,824	8,280,240	5,579,772	3,004,656	91,530,611
2008	4,574,123	16,022,013	5,523,794	33,764,595	9,011,946	4,879,145	3,629,690	101,745,850
2009	2,959,563	11,996,675	6,838,823	20,769,762	5,400,026	3,125,143	3,273,489	73,079,738
2010	4,071,012	14,980,909	10,700,848	26,246,352	7,529,629	4,203,723	3,822,840	96,868,538
Imports								
2000	5,976,505	6,773,583	1,415,294	12,849,737	3,502,255	6,044,428	378,858	39,572,649
2001	6,651,358	7,698,162	1,485,529	12,854,634	3,538,358	6,768,219	531,027	40,044,061
2002	8,489,429	9,648,364	1,847,579	13,869,629	3,546,369	8,645,588	670,011	43,456,054
2003	9,006,593	10,309,610	2,931,847	17,722,204	3,792,544	9,089,195	717,254	52,904,367
2004	11,313,132	13,423,912	4,580,008	22,800,790	4,606,376	11,540,476	1,227,604	71,226,175
2005	9,791,543	13,796,338	6,098,931	25,241,024	4,816,009	10,463,363	1,184,491	79,338,325
2006	11,308,144	14,848,939	8,280,714	28,275,259	6,004,864	12,100,361	2,297,991	95,978,003
2007	13,374,117	19,258,493	10,723,210	32,503,266	6,980,681	14,351,807	2,219,995	114,156,376
2008	15,854,850	23,135,625	12,897,751	34,274,177	8,144,189	16,617,201	2,858,380	130,292,648
2009	10,419,879	15,115,324	10,595,894	25,822,003	5,895,401	10,948,160	2,741,005	95,014,642
2010	13,982,703	20,802,067	14,723,226	31,897,816	7,303,363	14,749,327	3,061,754	120,866,653

Source: compilations based on the COMTRADE database of the UN.

Table 5b. Shares of SADC's export and imports to major trading partners (%)

	South Africa	SADC	China	OBRIC	EU	USA	NORA	SACU	Other SSA	World
Exports										
2000	4.5	15.3	1.2	2.1	38.1	8.7	0.3	4.8	2.3	100.0
2001	4.5	14.2	1.8	2.2	42.6	11.8	0.7	4.6	3.0	100.0
2002	4.9	17.1	1.5	2.0	42.3	9.3	0.6	5.2	4.5	100.0
2003	4.1	14.8	2.0	1.7	39.7	11.3	0.4	4.2	3.4	100.0
2004	5.7	15.6	2.4	1.9	38.9	10.9	0.3	5.9	3.3	100.0
2005	4.9	15.0	2.6	2.7	39.2	8.9	0.5	5.2	3.3	100.0
2006	4.9	18.0	3.3	2.0	35.0	8.5	0.8	5.4	3.2	100.0
2007	5.7	15.9	5.3	2.5	33.6	9.0	0.8	6.1	3.3	100.0
2008	4.5	15.7	5.4	3.5	33.2	8.9	1.0	4.8	3.6	100.0
2009	4.0	16.4	9.4	4.2	28.4	7.4	0.9	4.3	4.5	100.0
2010	4.2	15.5	11.0	4.6	27.1	7.8	0.7	4.3	3.9	100.0
Imports										
2000	15.1	17.1	3.6	2.6	32.5	8.9	0.1	15.3	1.0	100.0
2001	16.6	19.2	3.7	3.5	32.1	8.8	0.1	16.9	1.3	100.0
2002	19.5	22.2	4.3	3.2	31.9	8.2	0.2	19.9	1.5	100.0
2003	17.0	19.5	5.5	3.5	33.5	7.2	0.2	17.2	1.4	100.0
2004	15.9	18.8	6.4	3.7	32.0	6.5	0.1	16.2	1.7	100.0
2005	12.3	17.4	7.7	4.4	31.8	6.1	0.2	13.2	1.5	100.0
2006	11.8	15.5	8.6	4.8	29.5	6.3	0.6	12.6	2.4	100.0
2007	11.7	16.9	9.4	5.3	28.5	6.1	0.2	12.6	1.9	100.0
2008	12.2	17.8	9.9	5.6	26.3	6.3	0.3	12.8	2.2	100.0
2009	11.0	15.9	11.2	6.1	27.2	6.2	0.2	11.5	2.9	100.0
2010	11.6	17.2	12.2	5.9	26.4	6.0	0.2	12.2	2.5	100.0

Source: compilations based on the COMTRADE database of the UN.

Table 6. Shares of Top 5 HS6 export products for selected SADC countries in 2000 and 2010* (%)

	CommodityCode	2000	CommodityCode	2010
Botswana	Disodium carbonate	28.3	Bovine cuts boneless, fresh or chilled	8.8
	Automobiles, spark ignition engine of 1500-3000 cc	7.7	Gold in unwrought forms non-monetary	7.8
	Road tractors for semi-trailers (truck tractors)	6.1	Bovine cuts boneless, frozen	5.1
	Salt (sodium chloride) including solution, salt water	4.7	Disodium carbonate	5.0
	Copper mattes	2.3	Nickel mattes	4.4
	Cum. Share	49.1		31.1
Lesotho*	Footwear uppers and parts thereof, except stiffeners	27.1	Greasy wool (other than shorn) not carded or combed	24.9
	Mens, boys trousers & shorts, material nes, not knit	14.9	Maize (corn) flour	16.7
	Footwear,sole rubber/plastic,upper textile, not sport	14.6	Parts, electric switches, protectors & connectors nes	6.7
	Colour television receivers/monitors/projectors	10.2	Potato flour or meal	6.0
	Ice, snow and potable water not sweetened or flavoure	6.9	Colour television receivers/monitors/projectors	4.2
	Cum. Share	73.7		0
Madagascar	CommodityCode	2000	CommodityCode	2010
	Oils petroleum, bituminous, distillates, except crude	12.5	Oils petroleum, bituminous, distillates, except crude	11.5
	Shrimps and prawns, frozen	11.7	Mens, boys shirts, of cotton, not knit	7.4
	Documents of title (bonds etc), unused stamps etc	5.6	Trailers, semi-trailers nes	4.1
	Fish nes, frozen, whole	5.1	Helicopters of an unladen weight < 2,000 kg	4.0
	Worn clothing and other worn articles	4.9	Commodities not specified according to kind	3.8
	Cum. Share	39.8		30.8
Malawi	CommodityCode	2000	CommodityCode	2010
	Tea, black (fermented or partly) in packages > 3 kg	14.9	Tea, black (fermented or partly) in packages > 3 kg	13.9
	Raw sugar, cane	9.7	Raw sugar, cane	13.7
	Tobacco, unmanufactured, not stemmed or stripped	8.1	Tobacco, unmanufactured, not stemmed or stripped	4.5
	Tobacco, unmanufactured, stemmed or stripped	4.7	Tobacco, unmanufactured, stemmed or stripped	3.8

	Mens, boys trousers shorts, synthetic fibre, not knit	2.8	Natural rubber in other forms	3.4
	Cum. Share	40.2		39.3
Mauritius	CommodityCode	2000	CommodityCode	2010
	Wheat or meslin flour	15.9	Animal feed preparations nes	7.2
	Woven cotton nes, >85% <200g/m2, unbleached	12.8	Mens, boys shirts, of cotton, not knit	4.5
	Looped pile knit or crochet fabric, of cotton	7.3	Looped pile knit or crochet fabric, of cotton	4.4
	Denim cotton >85% >200g/m2	4.2	Mens, boys trousers & shorts, of cotton, not knit	4.0
	Yarn of combed wool, >85% wool, not retail	3.5	T-shirts, singlets and other vests, of cotton, knit	3.5
	Cum. Share	43.6		23.6
Mozambique	CommodityCode	2000	CommodityCode	2010
	Coconut (copra) oil crude	51.5	Shrimps and prawns, frozen	47.8
	Electrical energy	10.9	Oils petroleum, bituminous, distillates, except crude	23.1
	Coconut or copra oil-cake and other solid residues	6.0	Natural gas, liquefied	5.4
	Tobacco, unmanufactured, not stemmed or stripped	3.1	Electrical energy	2.2
	Shrimps and prawns, frozen	2.8	Documents of title (bonds etc), unused stamps etc	2.1
	Cum. Share	74.3		80.6
Namibia*	CommodityCode	2000	CommodityCode	2010
	Beer made from malt	22.2	Zinc ores and concentrates	39.3
	Gold, semi-manufactured forms, non-monetary	9.6	Documents of title (bonds etc), unused stamps etc	5.6
	Documents of title (bonds etc), unused stamps etc	7.3	Beer made from malt	3.6
	Oils petroleum, bituminous, distillates, except crude	5.9	Gold, semi-manufactured forms, non-monetary	2.8
	Diamonds (jewellery) unworked or simply sawn, cleaved	4.2	Zinc, not alloyed, unwrought, <99% pure	2.4
	Cum. Share	49.2		53.6
Seychelles*	CommodityCode	2000	CommodityCode	2010
	Fish nes, frozen, whole	78.1	Containers for compressed/liquefied gas, iron or stee	33.6
	Mineral and aerated waters not sweetened or flavoured	5.7	Cigarettes containing tobacco	19.6
	Flour or meal, pellet, fish, etc, for animal feed	2.4	Animal feed preparations nes	7.2

	Cigarettes containing tobacco	1.8	Fish oils except liver, not chemically modified	5.1
	Oils petroleum, bituminous, distillates, except crude	1.5	Commodities not specified according to kind	4.6
	Cum. Share	89.6		70.2
SouthAfrica	CommodityCode	2000	CommodityCode	2010
	Structures and parts of structures, iron or steel, ne	14.8	Oils petroleum, bituminous, distillates, except crude	6.1
	Diesel powered trucks weighing < 5 tonnes	2.0	Parts for mineral sort, screen, mix, etc machines	2.1
	Oils petroleum, bituminous, distillates, except crude	1.8	Structures and parts of structures, iron or steel, ne	1.9
	Medicaments nes, in dosage	1.7	Diesel powered trucks weighing < 5 tonnes	1.5
	Cigarettes containing tobacco	1.3	Electrical energy	1.1
	Cum. Share	21.6		12.7
Swaziland	CommodityCode	2000	CommodityCode	2010
	Chem wood pulp, soda or sulphate, conifer, unbleached	18.7	Chemical industry products, preparations, mixtures ne	33.7
	Food preparations nes	13.6	Chem wood pulp, soda or sulphate, conifer, unbleached	22.8
	Raw sugar, cane	8.6	Benzoic acid, its salts & esters	3.0
	Mixed odoriferous substances - food & drink industrie	7.9	Mixed odoriferous substances - food & drink industrie	2.6
	T-shirts, singlets etc, of material nes, knit	3.7	Printed matter, nes	2.5
	Cum. Share	52.5		64.7
Tanzania	CommodityCode	2000	CommodityCode	2010
	Glass containers nes for packing or conveyance goods	12.2	Urea, including aqueous solution in packs >10 kg	53.1
	Recorded magnetic tapes, width < 4 mm	8.1	Gold, semi-manufactured forms, non-monetary	5.0
	Gold, semi-manufactured forms, non-monetary	7.2	Tobacco refuse	2.6
	Knotted netting, nets not fishing of manmade textiles	6.9	Wheat or meslin flour	1.8
	Gold in unwrought forms non-monetary	6.5	Textile furnishing articles nes, knit or crochet	1.1
	Cum. Share	40.8		63.6
Zambia	CommodityCode	2000	CommodityCode	2010
	Cobalt, unwrought, matte, waste or scrap, powders	20.7	Raw sugar, cane	10.4
	Raw sugar, cane	11.8	Tobacco, unmanufactured, not stemmed or stripped	9.3
	Wire of refined copper > 6mm wide	9.9	Copper cathodes and sections of cathodes unwrought	7.6

	Copper cathodes and sections of cathodes unwrought	5.5	Wire of refined copper > 6mm wide	5.6
	Cobalt, articles thereof, nes	3.8	Cobalt, articles thereof, nes	4.6
	Cum. Share	51.6		37.4
Zimbabwe	CommodityCode	2000	CommodityCode	2010
	Cotton, not carded or combed	6.7	Gold, semi-manufactured forms, non-monetary	27.5
	Nickel ores and concentrates	4.5	Raw sugar, cane	21.7
	Tobacco, unmanufactured, not stemmed or stripped	4.2	Nickel ores and concentrates	14.1
	Refined sugar, in solid form, flavoured or coloured	3.3	Nickel mattes	13.3
	Tobacco, unmanufactured, stemmed or stripped	3.3	Documents of title (bonds etc), unused stamps etc	2.4
	Cum. Share	22.0		79.1

Source: compilations based on the COMTRADE database of the UN.

*: due to data availability, not all the countries reported data for the year of 2010 to the COMTRADE database. Specifically in this table the ending year for Lesotho, Namibia, and Seychelles is 2008, while that for Swaziland is 2007;

Table 7. Service exports from SADC countries (million US$)

	2000	2001	2002	2004	2006	2007	2008	2009	2010
Angola	267	203	207	323	1,484	311	329	623	857
Botswana	80	174	646	612	702	656	1,138	312	284
DRC	67	79	131	402	433	392	828	650	
Lesotho	39	34	33	66	55	72	62	77	97
Madagascar	364	351	397	426	665	1,013	1,296	861	1,030
Malawi	20	30	39	37	64	86	101	95	
Mauritius	1,071	1,204	1,149	1,453	1,674	2,195	2,536	2,229	
Mozambique	325	250	339	256	386	459	555	612	647
Namibia	176	280	267	476	526	598	555	634	984
Seychelles	287	294	313	327	430	472	473	404	
South Africa	5,061	4,883	4,972	9,833	12,207	13,774	12,770	11,938	13,984
swaziland	274	114	165	250	283	241	225	201	269
Tanzania	627	915	920	1,134	1,528	1,876	1,999	1,855	
Zambia	115	144	115	232	229	273	300	241	312
Zimbabwe	291	214	184	5,033	219	175	150	167	175
total	9,065	9,169	9,876	20,858	20,887	22,593	23,316	20,900	18,638

Source: UN Service database.

Table 8. SADC's inward FDI flows (million US$)

	Angola	**Bots.**	**DRC**	**Madag.**	**Mozamb.**	**Namibia**	**South Africa**	**Tanz.**	**Zamb.**	**SADC**
2000	2,174.4	57.2	72.0	83.0	139.3	186.5	887.3	282.0	121.7	4,421.6
2001	3,058.9	30.7	80.3	93.1	255.4	365.2	6,783.9	467.2	145.3	11,347.4
2002	3,133.5	403.4	141.1	61.1	347.6	181.4	1,569.2	387.6	298.4	6,727.0
2003	5,685.0	418.0	391.3	95.5	336.7	148.7	733.7	308.2	347.0	8,539.7
2004	5,606.4	391.1	409.0	95.2	244.7	225.8	798.0	330.6	364.0	8,658.5
2005	6,794.2	278.6	-	86.0	107.9	348.0	6,646.9	494.1	356.9	15,320.6
2006	9,063.7	486.4	256.1	294.5	153.7	386.6	-526.8	597.0	615.8	11,605.1
2007	9,795.8	494.6	1,808.0	773.3	427.4	733.0	5,694.5	647.0	1,323.9	21,797.0
2008	16,581.0	528.1	1,726.8	1,169.4	591.6	720.3	9,006.3	679.3	938.6	31,555.9
2009	11,671.5	579.4	663.8	1,066.1	892.5	516.4	5,365.4	645.0	694.8	21,840.1
2010	9,941.6	529.3	2,939.3	860.4	788.9	857.6	1,553.0	700.0	1,041.4	19,542.8

Source: UNCTAD FDI database.

Table 9. SADC's outward FDI flows, selected countries (million US$)

Period	Angola	Mauritius	South Africa	Zambia	SADC
2000	-21.43	12.69	270.61	0.00	289.81
2001	-37.56	2.85	-3177.89	0.00	-2844.46
2002	28.70	8.58	-397.98	0.00	-294.74
2003	23.60	-5.48	565.12	0.00	830.39
2004	35.20	31.67	1350.06	0.00	1371.61
2005	221.18	47.53	930.29	0.00	1312.41
2006	194.15	10.12	6063.31	0.00	6334.49
2007	911.87	58.03	2965.92	85.60	4088.08
2008	2569.64	52.16	-3133.68	0.00	-490.74
2009	8.33	37.45	1151.45	269.56	1450.83
2010	1163.28	128.70	450.33	288.70	2026.91

Source: UNCTAD FDI database.

Table 10. Overview of EPA negotiations status and regional groupings in SADC

LDC designation	Country	EPA	EPA group	alternatives	Reg group	other regional group	other negotiations
LDC	Burundi	Agreed interim EPA in November 2007, negotiations for comprehensive EPA ongoing	EAC	EBA	EAC	COMESA, ECCAS	COMESA-EU until mid 2007
LDC	Rwanda	Agreed interim EPA in November 2007, negotiations for comprehensive EPA ongoing	EAC	EBA	EAC	COMESA	COMESA-EU until mid 2007
LDC	Tanzania	Agreed interim EPA in November 2007, negotiations for comprehensive EPA ongoing	EAC	EBA	EAC	SADC	
LDC	Uganda	Agreed interim EPA in November 2007, negotiations for comprehensive EPA ongoing	EAC	EBA	EAC	COMESA, IGAD?	COMESA-EU until mid 2007
nonLDC	Kenya	Agreed interim EPA in November 2007, negotiations for comprehensive EPA ongoing	EAC	GSP	EAC	COMESA, CEN-SAD?	COMESA-EU until mid 2007

Table 11. Overview of EPA negotiations status and regional groupings in SADC

LDC designation	Country	EPA	EPA group	alternatives	Regional group	other regional group
LDC	Angola	Did not agree interim EPA. Negotiations for comprehensive EPA ongoing	SADC	EBA	SADC	
nLDC	Botswana	Agreed interim EPA in 2007 and signed in 2009. Negotiations for comprehensive EPA ongoing	SADC	GSP	SADC	SACU
LDC	Lesotho	Agreed interim EPA in 2007 and signed in 2009. Negotiations for comprehensive EPA ongoing	SADC	EBA	SADC	SACU
LDC	Mozambique	Agreed interim EPA in 2007 and signed in 2009. Negotiations for comprehensive EPA ongoing	SADC	EBA	SADC	
nLDC	Namibia	Agreed interim EPA in 2007 but not yet signed. Negotiations for comprehensive EPA ongoing	SADC	GSP	SADC	SACU
nLDC	Swaziland	Agreed interim EPA in 2007 and signed in 2009. Negotiations for comprehensive EPA ongoing	SADC	GSP	SADC	SACU
nLDC	South Africa	Did not agree interim EPA. Negotiations for comprehensive EPA ongoing	SADC	GSP/TDCA (FTA)	SADC	SACU
LDC	DR Congo	Negotiations for comprehensive EPA ongoing	CEMAC	EBA	SADC	ECCAS, COMESA
LDC	Madagascar	Agreed interim EPA in 2007 and signed the agreement in 2009, negotiations for comprehensive EPA ongoing	ESA	EBA	COMESA	SADC, IOC
LDC	Malawi	Negotiations for comprehensive EPA ongoing	ESA	EBA	COMESA	SADC
nLDC	Mauritius	Agreed interim EPA in 2007 and signed the agreement in 2009, negotiations for comprehensive EPA ongoing	ESA	GSP	COMESA	SADC, IOC
LDC	Zambia	Agreed interim EPA in November 2007. Has not yet signed the agreement, negotiations for comprehensive EPA	ESA	EBA	COMESA	SADC

nLDC	Zimbabwe	Agreed interim EPA in November 2007 and signed the agreement in August 2009, negotiations for comprehensive EPA ongoing	ESA	GSP	COMESA	SADC
nLDC	Seychelles	Agreed interim EPA in November 2007 and signed the agreement in August 2009, negotiations for comprehensive EPA ongoing	ESA	GSP	COMESA	SADC, IOC
LDC	Tanzania	Agreed interim EPA in November 2007, negotiations for comprehensive EPA ongoing	EAC	EBA	EAC	SADC

Appendix B: Terms of Reference

TERMS OF REFERENCE

REGIONAL ECONOMIC INTEGRATION IN AFRICA:

PROSPECTS AND STATUS OF IMPLEMENTATION

1. Background

In 2005, Denmark published its first strategy for Trade and Development, with a strong focus on the developmental aspects of international trade policies. This strategy clearly emphasised the importance of better integration in world markets for developing countries in order to achieve and sustain higher economic growth and poverty reduction. In recognition of the limited integration of developing countries in world trade and international economic relations, the strategy emphasised the need to provide developing countries with support to reduce barriers on the supply-side, as well as continuing to provide preferential access to developed markets in order to spur integration of developing countries into world markets.

Denmark launched a new policy for development assistance in 2010, with a strong focus on Growth and Employment. With Aid for Trade (in the broad sense) at the centre of Danish development policy, the Danish strategy for Trade and Development was included in the Growth and Employment strategy.

Over the past decade, new trends in the global economy have emerged and the balance in the world economy has shifted dramatically. Nevertheless, many developing countries have failed to substantially expand and diversify – even during times when the global economy has offered amble opportunities. Denmark works specifically on improving the integration of marginalised economies through its trade and development policy – and is working on adjusting these policies to the changing world economy.

As part of this adjustment, the Task Force for Trade and Development in the Ministry of Foreign Affairs (simply 'the Task Force' hereafter) commissioned a brief overview of 'Trade Policy and Low Income Countries – Emerging Issues and Unfinished Business', which was completed in June 2011. On the basis of this overview, the Task Force is now commissioning a further study to enhance its knowledge base concerning a relatively new area of Danish Aid for Trade support, namely support for regional economic integration. The 2010 strategy for Growth and Employment includes Danish support for regional economic integration in Africa. Following recommendations of the Danish Africa Commission, Denmark will provide support to economic integration on the Continent – through support to existing sub-regional economic integration initiatives, including notably the East African Community (EAC) and the Southern Africa Development Community (SADC). A programme to provide substantial Danish financial and technical support to the EAC to assist with full implementation of the EAC Customs Union Protocol (agreed in 2005) and the recent Common Market Protocol (2010) has just been approved.

2. Objective of the Assignment

The objective of the assignment is to enhance the knowledge of recent changes in trade (and investment flows, to the extent data on these are readily available) within two economic areas, the EAC and SADC – in order to better understand the dynamics of these two rapidly changing areas, the emerging patterns, and the opportunities and challenges of these changes.

3. Outputs

The following outputs will be provided:

- A research report of approximately 40 pages, including all data and analyses outlined below;
- 2 policy briefs (not to exceed 4 pages each) on issues to be selected jointly by the research team and the Task Force. The issues will be identified amongst the findings of the research report. The aim of the policy briefs will be to communicate the findings of the research report to a wider audience; and
- One public presentation/seminar to disseminate and discuss findings and recommendations of the research team (to be decided with the Task Force).

4. Scope of Work

The scope of work will include:

a. An analysis of regional trade flows at the six-digit levels and an analysis of total investment flows for members of EAC and SADC based on readily available information. The analysis should cover the latest decade of, respectively EAC and SADC trade. With a view to deepen knowledge of changing trade and investment patterns for members of EAC and SADC, respectively, this analysis will focus on trends in intra-regional trade (within each of the two regional groups), in terms of value and main items – and on broader South-South trade, including trade with emerging markets (the BRIC countries, in particular China, and other relevant groupings);

b. A review of the status of implementation of the agreed protocols (e.g. have internal tariffs been removed? What are the fiscal implications for each member country? Have mechanisms for compensation been put in place?);

c. A review of key non-tariff barriers to deeper economic integration in the EAC and SADC, respectively – with a focus on the most important barriers to further economic integration between member states of the EAC and SADC, respectively;

d. A review of the opportunities and challenges of regional trade integration in the EAC and SADC, respectively (to the extent information is readily available) – both between member states and for different groups within each country (who are the likely winners and losers);

e. A review of the opportunities and challenges to the EAC and SADC, respectively, of a gradual liberalisation of services, investment, and procurement – as has been proposed under the EU Economic Partnership Agreements (EPAs);

f. An assessment of whether the proposed EPAs with the EU supports further the ambition for wider and deeper trade integration within the EAC and SADC, respectively – and the broader Free Trade Area in COMESA (the Tri-Partite); and

g. Policy recommendations, based on the findings of the research team, concerning future Danish Aid for Trade interventions (including but not necessarily limited to support to regional economic integration in Africa), and future Danish trade policy interventions through the EU.

5. **Method of Work**

The basic methodology applied will be literature review of existing and readily available scientific and grey literatures. Scientific literature includes peer reviewed articles in academic journals while grey literature includes non-refereed material, such as reports of international organisations. No original research will be required for the completion of the assignment. Quantitative work will be limited to the simple compilation of readily available trade data necessary to address work task (a).

The assignment will not involve travel.

The assignment will be carried out in close consultation with the Task Force.

6. **Research team**

The research will be undertaking in collaboration between Mr Michael Friis Jensen, who is an independent consultant, and the Institute of Food and Resource Economics (FØI), Faculty of Life Sciences, University of Copenhagen. The inputs from FØI will be coordinated by Associate Professor, Mr Wusheng Yu.

Mr. Jensen will act as overall responsible to the Task Force and will coordinate and edit joint outputs

7. **Division of research tasks**

The research tasks listed under section 5 of this document will be divided between Mr Jensen and the FØI, as follows:

Mr Jensen will be responsible for tasks b, c, and g; whereas FØI will be responsible for tasks a, d, e, and f.

The research report will be drafted jointly by Mr Jensen and Mr Yu who will draw on their findings in the respective research tasks. Mr Jensen will be responsible for coordination and final editing. In addition, as the overall responsible person of the project, Mr Jensen will be responsible for drafting the introduction and conclusion of the research report.

Mr Jensen and Mr Yu will each be responsible for one policy brief. Mr Jensen will be responsible for coordination and final editing.

Planning and implementation of the dissemination of the project will be jointly carried out by Mr Jensen and Mr Yu in consultations with the Task Force.